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GOVERNMENT AND ADMINISTRATION

Queen's Silver Jubilee

A wide range of events, combining traditional and new features, are planned to mark the twenty-fifth anniversary this year of the Queen's accession to the throne. They include royal visits to many parts of the United Kingdom, including Northern Ireland, and a tour of Commonwealth countries in Australasia and the Pacific.

Announcing the programme in the House of Commons (*Hansard*, 19.1.77, written answers, cols 191–6), the Prime Minister, Mr James Callaghan, said: 'The whole House – and indeed the whole nation – will welcome the opportunity to offer their warmest congratulations to the Queen on the twenty-fifth anniversary of her accession, and to express their gratitude for a quarter of a century of devotion and public duty.'

Central to the silver jubilee programme will be visits by the Queen and the Duke of Edinburgh to Britain's major centres of population during the course of the spring and summer, in accordance with the Queen's wish to meet people in as many parts of the kingdom as possible. In this connection, the Prime Minister welcomed the arrangements – many of them involving what he described as 'imaginative and original ideas' – which were being made by local authorities and by private individuals and organisations in all walks of life to celebrate the jubilee.

The programme begins, however, with a seven-week royal tour starting on 9 February of Western Samoa, Tonga, Fiji, New Zealand, Australia and Papua New Guinea. Other events relating to Commonwealth countries include a banquet and reception at Buckingham Palace on 8 June for Commonwealth heads of Government, who this year are holding their annual meeting in London, and a broadcast by the Queen to the people of the Commonwealth on the preceding day.

The Queen is also to give a dinner at Buckingham Palace for European Community heads of Government, who meet in London on 29 June, and for NATO foreign ministers on 10 May.

A national thanksgiving service will be held in St Paul's cathedral on 7 June, which has been declared a special Silver Jubilee Bank Holiday. Similar services will be held later in Glasgow (Scotland) and Llandaff (Wales) cathedrals.

As already announced (see p 458, 1976), the Prince of Wales will lead the Queen's Silver Jubilee Appeal, devoted to young people, with the particular aim of encouraging them to help others in the communities in which they live. Prince Charles is to launch the appeal with a television and radio broadcast on 24 April.

The British Tourist Authority is arranging to supply information about the celebrations to persons abroad who may be considering visiting Britain in jubilee year. In addition, a Silver Jubilee Central Information Service has been established by the Central Office of Information as a first point of contact for the news media, the public and industry. The postal address of the service is PO Box No 5, London SE1 7DU (telephone: 01–261 1843 and 1853).

EXTERNAL AFFAIRS AND DEFENCE

Rhodesia

Following nearly four weeks of intensive consultations in Southern Africa (see p 11) by Mr Ivor Richard, the chairman of the adjourned Geneva Conference on Rhodesia, Mr Anthony Crosland, the Secretary of State for Foreign and Commonwealth Affairs, announced to the House of Commons on 25 January (*Hansard*, cols 1182–96) that 'it was with a sense of deep disappointment that we learnt yesterday that Mr Smith, alone of the parties, had rejected the ideas which we had put to him, even as a basis for further negotiation'. As a result, Mr Crosland added, 'we have to accept that this present round of discussions is at an end. We now need – all of us – to take stock and make a cool appraisal of the new situation. . . . We must now give intensive study to any options which may still be open to us in this new situation. For our goals remain a peaceful and orderly transfer to majority rule in Rhodesia.'

Referring to Mr Smith's claim (see below) that he had left the door open for further negotiation by expressing his readiness to implement the 'five points' put to him by Dr Kissinger in September 1976 (see p 386, 1976), Mr Crosland explained that it had been clear from an early stage of the Geneva Conference that the nationalist delegations could not agree to accept the Kissinger proposals as a basis for negotiation. The Government had, therefore, put forward its own ideas which it believed would offer a reasonable way of bridging the gap between the parties. Mr Crosland said that he had, in particular, asked Mr Richard 'to develop with the parties some new and positive ideas, including our ideas on the role which Britain would be ready to play in the transitional period. Following Mr Richard's first round of consultations [from 29 December to 18 January], we set out what we had in mind in a document,' and this 'was given to each of the Geneva delegations, the four African front-line Presidents, and Mr Vorster.'

'The suggestions in the paper', Mr Crosland continued, 'did not constitute a cut and dried British plan. Nor were they presented on a "take it or leave it" basis. They were intended to provide a serious and detached basis for negotiations, and were open to amendment and modifications in the light of those negotiations. But in our view these proposals presented a reasonable way forward. They were designed to meet the concern of the nationalists that the transfer to majority rule should be rapid and irreversible and of the white Rhodesians that it should be peaceful and orderly. They would have led to the ending of the war, and the lifting of economic sanctions. They were supported by the American Government, and would have set the stage for an international trust fund to help develop the Rhodesian economy and give financial reassurance to Rhodesian Europeans. They would have provided a basis for a prosperous, independent and non-racial Rhodesia. . . .'

The British Government's Proposals

The document presented to each of the parties by Mr Richard during the second round of his consultations, which began on 19 January, gave more precision to the ideas which he had already been discussing in general terms. The proposals were as follows:

1 'The transitional government would be headed by an Interim Government Commissioner who would be appointed by the British Government, after due consultations. There would also be a Deputy Interim Commissioner appointed in the same way, who would act as Interim Commissioner whenever the latter was unable to do so.

2 'In addition to the Interim Commissioner, the transitional government would have three principal organs: (A) A Council of Ministers; (B) An Advisory Council of Senior Ministers; (C) A National Security Council.

3 'The Council of Ministers would contain equal numbers of members from each of the political groups represented by the delegations to the Geneva Conference and a further similar number of members appointed by the Interim Commissioner from among members of the European minority. It would thus have a substantial African majority.

4 'The leaders of the Delegations to the Geneva Conference would be members of the Council of Ministers and would together form an inner cabinet (perhaps called the Advisory Council) which would act in a general advisory capacity to the Interim Commissioner and would also have other specified functions.

5 'The Council of Ministers would have full executive and legislative competence for the government of Rhodesia, subject only to the Interim Commissioner's reserve powers.

6 'Except where his reserve powers were involved, the Interim Commissioner would be required to act in accordance with the advice of his ministers in

exercising all his executive functions and in assenting to legislation.

7 'If there were agreement on the choice of one of the African members of the Council of Ministers as a First Minister, the meetings of the Council of Ministers would be presided over by the First Minister, who would, as such, have other specified functions. If not, other arrangements would have to be made: for example, the Chairmanship of meetings of the Council of Ministers might rotate among the members of the Advisory Council. In any event, the person presiding over the Council of Ministers would not have a casting vote.

8 'The interim Commissioner would not be a member of the Council of Ministers and would ordinarily not attend its meetings. However, he would be empowered to do so when he considered that matters might be discussed which could affect his residual responsibilities.

9 'The Interim Commissioner would have residual responsibility for certain subjects (primarily external affairs, defence, internal security and the implementation of the programme for independence). His powers in the Council of Ministers in relation to these subjects would enable him to ensure, on the one hand, that the minority in the Council of Ministers could not impede the transition to majority rule and independence and, on the other hand, that the transitional government did not act in a way which would imperil the orderly nature of that transition or which was incompatible with the exercise of the United Kingdom's constitutional responsibilities.

10 'The question of voting procedures in the Council of Ministers could be regulated in a number of different ways. In choosing the appropriate voting system, the aim should be to ensure that the will of the substantial majority of the members of the Council of Ministers prevailed in matters of day-to-day government and in maintaining the momentum of the transition to majority rule and independence; but also to ensure that the representatives of the minority community, whilst not being able to impede that transition, were given an effective voice in all decisions of special concern to their community. Where the Interim Commissioner's residual responsibilities were involved, a special majority would be required and the Interim Commissioner would himself be given a vote, which, in certain situations, could operate as a casting vote.

11 'Apart perhaps from defence and internal security and possibly also external affairs, all departments of government would be in the charge of a minister. The Council of Ministers would have collective responsibility for governing Rhodesia.

12 'Defence and internal security would be the responsibility of the National Security Council, though this would not necessarily preclude the allocation of these portfolios to individual ministers if agreement on that matter could be reached. The Council would consist of the Interim Commissioner (and perhaps also the Deputy Interim Commissioner); the leading members of the Council of Ministers; and the two Chiefs of Staff of the Armed Forces and the Commissioner of Police. These three officers would themselves be appointed and removable by the Interim Commissioner. The Interim Commissioner would preside over meetings of the National Security Council and would be in a position to exercise a casting vote.

13 'The day-to-day organisation and operational control of the Armed Forces and the Police would be the responsibility of the respective Chiefs of Staff and the Commissioner of Police. But these would be responsible (either directly or, if there were Ministers for Defence and Internal Security, through those ministers) to the National Security Council which would give them general directives of policy with regard to the maintenance of public security and generally with regard to the organisation and employment of the forces under their command. The National Security Council with the concurrence of the Interim Commissioner, would have power to appoint and remove the holders of certain senior offices in their Armed Forces and the Police. The National Security Council would also be responsible for supervising the reorganisation of the defence and internal security forces.

14 'The Council of Ministers would be responsible for the implementation of the programme for independence and in particular for the working out of the independence constitution. For this purpose, it would appoint a constitutional committee which would include representatives of the various political parties and also constitutional and other experts (perhaps from outside Rhodesia). The constitutional committee would formulate recommendations to the Council of Ministers. The Interim Commissioner would himself preside over the constitutional committee (as well, of course, as taking part in the consideration of its recommendations in the Council of Ministers).'

These proposals, the paper explained, were made in the belief that a negotiated settlement was only possible if both sides agreed on a structure for the transitional government which struck a reasonable balance between them and which gave adequate protection to the legitimate interests of both. They were designed to provide for a visible and effective African majority in the government as well as for the participation by representatives of the European minority sufficient to ensure that their interests were taken into account.

They were also put forward on the basis that, where possible, solutions should be found using purely Rhodesian elements. But where this was not possible, the paper suggested, 'a British presence could usefully be introduced to assure each side that neither can prevent the achievement of the legitimate aims of the other'. This, however, it added, would require a number of preconditions, the most important of which were the acceptance by all parties concerned that guerrilla activity would cease as soon as agreement had been reached on the setting up of the transitional government, and that Britain's readiness to play a part in the agreed transitional arrangements would be conditional upon all other parties abiding by that agreement.

Mr Smith's Rejection

In a broadcast on 24 January, Mr Smith, the leader of the illegal Rhodesian regime, said that he had

informed Mr Richard that 'after full consideration of all the implications. . . it will be in the best interest of Rhodesia to adhere to the original Anglo-American agreement of September last year'. He continued by saying that in doing so he had not broken off negotiations but, on the contrary, urged the continuation of negotiations on the basis of the original agreement to which the British, American and Rhodesian governments were all party. Mr Smith explained that within this framework he was prepared to negotiate with flexibility and that he remained convinced 'that the Anglo-American agreement is still the best way forward'.

Mr Smith also said that the British proposals amounted to a surrender to international Marxism in the shape of 'terrorist' forces. The British plan provided no real protection for the white minority or for African moderates who would be subjected to 'Marxist majority rule'. As an alternative he suggested that Rhodesians should solve their problems themselves and said that he had issued invitations to black leaders to join him in this task. He added, however, that he excluded anyone who supported terrorism from this exercise.

Mr Ivor Richard said, in Salisbury on 24 January, that Mr Smith's decision was 'a tragic and fateful decision. Our proposals have been accepted as a basis for negotiation by all the front-line Presidents and by all the nationalist delegations. They were endorsed by the United States and by all other Western countries with whom we had discussed them. The Prime Minister of South Africa was anxious that negotiations should continue and that a settlement should be reached. Mr Smith alone has rejected our proposals as a basis for discussion, and he bears a heavy responsibility for what may happen.'

Nationalist Views

African nationalist opinion has condemned Mr Smith's reaction to the British proposals. On 27 January Bishop Abel Muzorewa of the African National Council said at Heathrow Airport, London, that he wanted the Geneva Conference to begin again and that he hoped that tighter pressure on Mr Smith would come from South Africa. Earlier, in Lusaka, Zambia, on 24 January, a spokesman for the Patriotic Front, to which the front-line Presidents had pledged their full support at their Lusaka summit on 8–9 January, said that with Mr Smith's rejection of the British proposals for a Rhodesian settlement, the only option now left to the nationalists was to defeat the white minority government militarily. Those who wanted to campaign for majority rule in Rhodesia should throw their full weight behind the armed revolution and the policies of the Patriotic Front.

Other Reactions

Following a meeting in London, on 31 January, the foreign ministers of the nine countries of the European Community issued a statement deploring the irresponsible attitude of the illegal regime. They expressed their deep concern that Mr Smith's rejection of the British proposals had jeopardised the British Government's attempt to find an agreed basis for negotiation. They appealed to all the parties concerned to continue the search for a negotiated settlement designed to bring about a rapid and orderly transfer of power to the majority of Zimbabwe. They formally declared that the illegal regime could not expect any assistance from Community members who would continue to comply strictly with their obligations relating to sanctions. (For further details see p 57.)

Mr Cyrus Vance, the United States Secretary of State, said in Washington on 31 January, that in his Government's view the British proposals remained a valid basis for negotiation. The 'Rhodesian authorities', he continued, should understand clearly that under no circumstances could they count on any form of American assistance in their effort to prevent majority rule in Rhodesia or in their attempt to enter into negotiations which excluded leaders of nationalist movements. He warned that the so-called internal solution would not produce a peaceful settlement and therefore would not have the support of the United States. The position adopted by Mr Smith, Mr Vance added, had resulted in a new and more dangerous situation regarding the prospects for peace in Rhodesia.

European Community

During the first month of the British presidency, the Secretary of State for Foreign and Commonwealth Affairs and the Minister of Agriculture, Fisheries and Food outlined the Government's views on the tasks facing the Community.

Foreign ministers held a political co-operation meeting at Lancaster House in London which resulted in a wide measure of agreement on a number of important foreign policy questions. The Council of Ministers discussed the Community's trade relations with Japan, and co-operation agreements were signed with Egypt, Jordan and Syria. The Council also agreed on measures to control fishing by non-member countries in the member states' waters.

Further details on these and other matters are given below.

BRITAIN'S PRESIDENCY OF THE COUNCIL

The Secretary of State for Foreign and Commonwealth Affairs and President of the Council of Ministers of the European Community, Mr Anthony Crosland, delivered a speech to the European Assembly in Luxembourg on 12 January, on the occasion of the first British presidency.

During the six months of the presidency, Mr Crosland said, 'the need to pull out of recession and so restore the cohesion of the Community will be Britain's immediate concern'. In the course of the speech he said he wanted 'to consider in a longer perspective where the Community stands today and in what directions we wish to see it progressing'. In reference to the 'widespread mood of disillusionment' and a comment by the previous President (Mr van der Stoel), six months ago, that the Community had reached 'an advanced state of erosion',

Mr Crosland said that he took 'a more robust and hopeful view than the pessimists' when he considered the Community's achievements.

Reconciliation of European Rivalries

Referring to 'the reconciliation of old European rivalries' as its most striking achievement, Mr Crosland said: 'By stimulating a peaceful and enlightened dialogue and so the habit of co-operation between member states, the Community has helped to bring about a qualitative and permanent change in Western European relationships. The contrast with pre-war Europe is dramatic. It illustrates the political reality of the European Economic Community.'

European reconciliation has, he said, been firmly based on the development of common policies and common institutions. Mr Crosland pointed out that the common commercial policy was now nearing completion, and that the Community's attraction as a commercial power was increasingly being felt in countries such as Greece, Portugal, Spain, Turkey, and the Lomé Convention countries, and at international conferences such as the Conference on International Economic Co-operation (see pp 18–21, 1976) and at the multilateral trade negotiations to reduce tariffs on trade (see p 288, 1976). This economic power, Mr Crosland said, can also serve a vital political purpose, 'notably in the case of the Mediterranean countries'.

The Foreign and Commonwealth Secretary then referred to the growing co-operation between the member states in the field of foreign policy. To illustrate this point, he said: '. . . at the thirty-first session of the United Nations General Assembly the Nine have voted together on 82 per cent of all resolutions, and the country holding the Presidency has spoken on behalf of all the Nine on no fewer than 50 occasions'.

The Economic Development of the Community

In turning to consider the internal affairs of the Community, Mr Crosland listed some of the areas in which the Nine have been able to work together: 'We have a customs union which has greatly expanded intra-Community trade, a common agricultural policy which, though controversial, is integral to the concept of the Community, and a social fund, a regional fund and a European Investment Bank. Technical barriers to trade are being chipped away slowly but effectively. Freedom of movement is becoming more of a reality as professional qualifications begin to command general acceptance throughout the Community. . . . In social legislation, education . . . we are steadily expanding the area in which we work together. The institutions . . . have shown great vitality and capacity to adapt to changing circumstances.' Mr Crosland also said that the inability to reach other goals, such as economic and monetary union, was not 'a failure by the Community to achieve realistic and attainable goals'. 'In the time-frame set for them', he went on, 'and in a period of combined recession and inflation which has shaken the world's economy almost to its foundations it was manifest that many of these goals could not possibly be within reach.'

Mr Crosland said that in his view it was recession and economic crisis which had left the Community 'with so uncertain an idea of where it wants to go'. 'In the past', he added, 'an impression of almost effortless growth in the Community's economy led to an indulgence in unrealistic conceptual patterns'. He explained that he was not referring here to the Tindemans report (see pp 59–61, 1976) which was 'down-to-earth' and had 'done much to clear our minds on these subjects'. The task was now to 'draw together into a coherent shape the various threads of the Community's development so far, to recognise realistically its set-backs or excessive ambitions, but also its true achievements and the solid foundation that these have laid, and to establish on this basis a sense of priorities and strategic direction that will serve us, not simply in the next six months, but in the years ahead'.

Priorities for the Short and Medium Term

Mr Crosland described as 'an urgent and immediate priority', the need to secure agreement in the Community on sectoral policies; in particular, agriculture, fisheries and energy. He said that the common agricultural policy had 'almost reached an impasse', the review of the common fisheries policy, had 'not even approached the heart of the controversy on the internal regime'; neither was there any such thing as a common energy policy. Strong national interests were at stake, he said, reflecting the livelihood of many people. He was particularly conscious of this, representing as he did an English fishing constituency (Mr Crosland is Member of Parliament for Grimsby) where the fishermen could not understand 'why they should be condemned to the dole when British waters contain over half the fishing stocks available for the Community as a whole'. (For some details of unemployment in the British fishing industry see CO Factel No 669, *Britain's Fisheries in the European Community*.) Mr Crosland called for patience, understanding and a great deal of Community spirit in order to strike the right balance between specific national interests and wider Community interests. 'And yet', he pointed out, 'the two sets of interests interlock. It is, after all, a shared interest of all member states that the Community's policies should work well. Equally it is to the Community's advantage that the deep-seated interests of member states should be recognised and as far as possible accommodated.'

Secondly, Mr Crosland turned to what he referred to as 'the central economic question of internal integration within the Community'. He pointed out that the convergence of the Community states' economies was 'drastically undermined by the cataclysmic events of 1973 and the subsequent years – the oil price rise, followed by an inflation and recession, both unprecedented in the post-war period'. He also referred to the 'intolerably high' level of unemployment in most Community countries, and stated his belief that until all of the Community's economies were on the path of full employment and healthy growth, economic convergence would be impossible to achieve. He went on: 'That must be our priority for the next few months. But we must look even further ahead and start to devise new policies that will help us, once we have left recession behind, to counteract the uneven growth

in the economies of member states. We should explore ways in which the Community could help further to promote investment in those countries and regions where the economic performance is below average. We should explore . . . what contribution the Community can make to greater exchange rate stability. We should examine successor arrangements to the regional and social funds which would permit a far more effective transfer of resources than hitherto from richer to poorer regions.'

The Political Development of the Community

Mr Crosland then spoke of the future internal political development of the Community. He described the intention to hold direct elections (see p 383, 1976) as 'an encouraging example of practical political development'. In his view a directly-elected Assembly would be 'in a better position to strengthen the democratic voice in the Community'. He said that he for his part wanted 'to think hard about the role and *modus operandi* of the Council'. He said he was worried 'both by the degree of detail which comes to the Council, and by the sometimes higgledy-piggledy nature of its agenda', and he described his 'crucial aim' as the closest possible co-operation within the Assembly and the Commission in the interests of Community cohesion.

Trade with Non-member Countries

Mr Crosland's fourth point concerned external policy. He said that he expected the Community in the years ahead 'to wield a growing influence on world affairs', and he made special reference to the strengthening of relations that has taken place with the Mediterranean countries, with Yugoslavia (see pp 16—17) whose relations with the Community were assuming a 'profound political importance', and with the Lomé countries. He also referred to the role that the Community has played in the North-South dialogue (see p 384, 1976, footnote 1). Mr Crosland went on to say that he could see 'good possibilities for developing our relations with other areas of the world'. In this context Mr Crosland mentioned Latin America, and the Soviet Union and Eastern Europe. The common commercial policy, he said, 'puts in the hands of the Commission the responsibility for negotiating trade agreements with the Eastern European countries as with other third countries. We should be able to build on the general trend in the CMEA[1] countries and especially in the Soviet Union for Western trade and technology.' He went on: 'Speaking politically, a strong and cohesive Community is a major asset on the Western side in the overall pattern of East-West relations; the very fact of Soviet coolness towards it testifies to its potential for limiting the spread of Soviet influence in Western Europe.'

Political Co-operation

Mr Crosland then turned to the issue of political co-operation among member states and mentioned three possible areas for Community action: '. . .there is a possible role for the Community, at the appropriate moment, in Cyprus and in the Middle East, though this must be in close concert with the United States. . . . An area in which we shall, I hope, see much hard work is in preparing a common position on the Belgrade Conference to review progress in implementing the Helsinki Final Act of the CSCE' (see pp 305-12, 1975).

Enlargement

'Enlargement', Mr Crosland said, '. . . will absorb much of the Community's time and effort in the months and years ahead, and will decisively condition its development in both its internal and external aspects for the rest of the century.' As in a previous speech (see p 463, 1976), he described the future enlargement of the Community as 'its most testing challenge'. Referring to the problems involved, he said that enlargement would make the economic divergence between the countries of the Community still greater. He went on: 'The gap in per capita GNP between Germany and the United Kingdom is almost trivial compared with that between Germany and Portugal, and the effort required to bridge that gap will be correspondingly greater. The demands on Community funds will be substantial, with obvious implications for the regional and social funds in particular.' Mr Crosland also pointed out that enlargement will make it harder to improve the overall operation of the common agricultural policy and, he said, 'there is, of course, the deep concern that the Community might become looser rather than tighter as a consequence of enlargement'. But despite these difficulties the Foreign Secretary reiterated his belief that the 'political benefits of enlargement outweigh all the practical difficulties' and that 'enlargement is an investment in the democratic future of Europe' (see also pp 385 and 463, 1976).

The Tasks Ahead

Mr Crosland then summed up the tasks ahead: 'not just for the next six months, but for the medium term: to improve our sectoral policies, to define and forward convergence in more meaningful terms, to work out the proper role for a directly-elected Parliament, to expand yet further the Community's influence in the world, and to encourage enlargement without doing damage to Community ideals'. However, he added: 'I feel most strongly the need also to listen with sensitive sympathy to our public opinion. And to our public the priority does not lie amongst the objectives which I have just defined; it is to eliminate the evil of unemployment and the painful consequences of inadequate growth.' Mr Crosland thus returned to an important theme of his speech: 'Insufficient growth makes the problem of economic imbalance wellnigh insoluble. In conditions of near-recession, enlargement could prove a source of division rather than the basis of a wider unity. Unemployment and low incomes make the Community's sectoral policies a bone of contention instead of a force for promoting the common good.' After describing the measures that Britain has taken to combat its economic problems, he emphasised that 'we cannot succeed – nor can any of us in an interdependent world – unless other economies grow and import more. Much of course will depend on countries outside the Community, particularly the United States and Japan. But we look also to an

[1]The Council of Mutual Economic Assistance was set up in 1949 to promote the development of the economies, science and technology of member states. It is also known as COMECON.

expansion of demand in the stronger economies of the European Community.'

In order to deal with these pressing problems, Mr Crosland said that he wanted to try to introduce a proper sense of priorities in dealing with Community business, 'so that the Council focuses its attention on the really important issues. . . . Too often we fail to identify priorities and concentrate our efforts accordingly. We cannot devise or implement a coherent strategy if we do not equip ourselves with the means to implement it.'

Longer-Term Goals

Turning to consider the Community's longer-term goals, Mr Crosland said that he did not mean that new goals should be set, but that 'we need a measure of forward planning, so that we can identify the problems of the future and set ourselves on a path to their solution now. In particular, we need to identify those problems which we can solve on a Community basis, and where national solutions are inadequate or even impossible.' He referred to long-term or structural unemployment as one such problem, and added that the problem of adapting Community industries to the markets of tomorrow 'bears directly on the question of unemployment'. The ability of the more advanced developing nations to take an increasingly large share of the world market was natural and desirable 'if we are serious about improving the international distribution of wealth'. But, he went on, 'it will cause great problems for Europe. These are issues which will be with us for a long time, but we ignore them today at our peril. They are an additional reason for creating a thriving Community with balanced economic development in all its parts.'

Mr Crosland closed his speech to the Assembly by recalling that on 25 March 1977, the Community will be celebrating the twentieth anniversary of the signature of the Treaty of Rome. He said that the best testimony that the Community could offer the pioneers of post-war Western Europe would not be 'a static monument but a continuing readiness to show that we too have a sense of the moment, as well as a sense of history; and that we need no spur to respond to the different, though equally challenging, world of the final quarter of the twentieth century'.

POLITICAL CO-OPERATION MEETING

Matters relating to political co-operation were discussed at the first meeting in London of the Community's foreign ministers on 31 January. As President of the Council of Ministers, the Foreign and Commonwealth Secretary, Mr Anthony Crosland, acted as chairman.

Rhodesia

In a statement issued after the meeting, the foreign ministers recalled that previously they had 'welcomed the British Government's decision to convene a conference on Rhodesia in Geneva' (see p 421, 1976), and they expressed their deep concern that Mr Smith's rejection on 24 January of British suggestions for a transitional government (see pp 52–4) had 'for the time being jeopardised the British Government's attempt to find an agreed basis for negotiation'. The foreign ministers also deplored 'the irresponsible attitude of the illegal regime'. The statement went on: 'They appeal solemnly to all the parties concerned to continue the search for a negotiated settlement designed to bring about a rapid and orderly transfer of power to the majority of Zimbabwe. They formally declare that the regime cannot expect any assistance from the Nine; on the contrary, the foreign ministers of the Nine confirm that they will continue to comply strictly with their obligations relating to sanctions.'

Middle East

Mr Crosland also stated after the meeting that the foreign ministers had agreed on the importance of taking advantage of the present favourable atmosphere for reaching a settlement in the Middle East. He reaffirmed the Community's views on a settlement which were stated in December 1976 by the Community's spokesman at the United Nations General Assembly. In this statement, the then president of the Council said that the Nine believed that a way should be found to enable the participation of all interested parties in a Middle East peace conference, taking into account the importance of this conference for the Palestinian people.

Other Matters

Mr Crosland said that the foreign ministers had also discussed southern Africa and 'endorsed the intention of the political committee [composed of senior officials from the foreign ministries of member states] to make a *démarche* on Namibia'.

The ministers were able to endorse much of the work done by the political committee in preparing a common Community position for the Conference on Security and Co-operation in Europe review conference to be held in Belgrade (see p 56), and Mr Crosland said that they had discussed recent developments on human rights in several East European countries and had asked the political committee to make a report to them on the significance of these.

Lastly, Mr Crosland reported that the ministers had agreed that officials should proceed with the drafting of a Community convention on the taking of hostages (see p 315, 1976).

DR OWEN'S SPEECH TO THE LONDON-EUROPE SOCIETY

Views on certain aspects of the future development of the Community were expressed by Dr David Owen, Minister of State for Foreign and Commonwealth Affairs, in a speech to the London-Europe Society in London on 19 January 1977. In the speech, Dr Owen referred to 'a definable mood' in most Western democracies which 'challenges what it senses as the growing tendency towards centralisation and bureaucracy'. Dr Owen went on to examine this alleged tendency with reference to the European Community, and the debates concerning devolution (see pp 3–8) and industrial democracy (see pp 71–5) in Britain. He compared Britain's progress towards greater decentralisation and greater participation by employees in industry with the experiences of other member states in the Community.

The Community and Centralisation

In the minister's view, too many people in Britain identified the Community with centralisation and bureaucracy, 'an association for which there is not only no evidence, but such evidence as there is points in the opposite direction'. He pointed out that the European Community had already started to move decisively from being a 'Common Market' to being a 'Community', using the latter word in its 'fullest and richest sense'. This shift had been brought about 'not only by genuine attitudinal changes adjusting to a different climate of opinion', but also because there was in many member nations 'a strong underlying sympathy towards any critique of centralised bureaucracy'.

He said that it was also necessary to 'guard against the development of an omnicompetent Community, harmonising for the sake of it and extending its competence into areas best dealt with locally albeit with consequential variation'. In Germany and Italy, there was, he said, 'a suspicion of centralisation influenced by pre-war authoritarian experience'; and the European left, particularly in France, had a powerful Proudhonist tradition which had provided one of the most enduring critiques of Marxism, 'not only on the perpetual conflict between authoritarian and libertarian socialism but over centralism, nationalism, and statism'. He said that the tradition also existed in Britain, but in his view it was 'weaker on the Left today than in the past' and needed to be revived.

Dr Owen further illustrated his view that membership of the Community had 'if anything a predisposition to decentralisation, not as many in Britain seem to think, a structural bias towards centralisation', when he pointed out that the Community employed just under 10,000 civil servants.

Devolution in Britain

The minister said that he strongly supported devolution and decentralisation in Britain. It should be remembered, he said, 'in our own internal debates', that Britain was among 'the most centralised of all the Community countries'. Dr Lwen pointed out that the Federal Republic of Germany had a strong federal constitution, providing for the exercise of extensive powers at regional level including some legislative powers; and that France had the prefect system. In both France and Italy there was 'great interest in the whole issue of regionalisation'.

Industrial Democracy

Dr Owen described industrial democracy as 'a major issue facing Britain and other industrialised nations' over the next few years. After referring to the progress made in other countries of the Community in this direction he described participation in industry as a 'natural, welcome and inevitable development of any democratic industrial society'. But in his view effective participation was closely linked with the 'ability of the individual to identify with the objectives and content of his own working environment', which was much harder to achieve in large units of production. He described centralised bureaucracy as 'the natural enemy of a participatory democracy'.

Community Objectives

In conclusion, Dr Owen said that the 'concept of a European Community with a human face which individuals can identify with and trust is an objective to which the Commission and every member state can contribute'. He said that its development would be strongly influenced by economic growth which could alleviate unemployment and improve living standards. 'Yet', he said, 'the development of a human face will most certainly not come by continuing a trend either at European or national level of increasing centralisation, growing bureaucracy and managerial autonomy.' This would lead to a 'deepening of the individual's sense of frustration and disenfranchisement'; a heavy price which 'increasingly individuals are showing a marked reluctance to pay'.

EXTERNAL RELATIONS

Japan

At its meeting on 18 January the Council of Ministers reviewed the progress made following the European Council's statement in November (see pp 462–3, 1976), on talks with Japan about its current imbalance in trade with the Community. The Foreign Secretary, in a statement on the Council meeting to the House of Commons (*Hansard*, 19.1.77, cols 325–36) said: 'It became clear that very little progress had been made, and the Council instructed the Commission to renew these talks, especially on shipbuilding, and report back to the next Council'.

Mashraq Countries

Co-operation agreements between the European Economic Community and Egypt, Syria and Jordan (also called the Mashraq countries), and between the European Coal and Steel Community and the three Arab countries were signed in Brussels on 18 January. The agreements are intended to promote co-operation between the Community and the Mashraq countries in the economic, technical and financial fields. Financial protocols have also been concluded for the period ending 31 October 1981. Under these protocols, 170 million units of account (mua) will be made available to Egypt, 40 mua to Jordan and 60 mua to Syria.

Accessions to the Lomé Convention

The Council of Ministers also settled all outstanding issues concerning the application of the Lomé Convention to three former dependencies: Surinam, Seychelles, and the Comoro Islands (see p 318, 1976). In particular, the Council agreed to transfer 30·6 mua from the dependent states' aid allocation to the allocation for the signatories of the Lomé Convention.

The Council also reached agreement on all the terms for the accession of three other former dependencies (of countries outside the Community): Sao Tormé and Principe, Cape Verde, and Papua New Guinea. The aid allocation under the Lomé Convention will accordingly be increased by a further 22·5 mua. The acts of accession for these three states are expected to be signed in the near future.

AGRICULTURE AND FISHERIES

Council's Tasks

The tasks facing the agriculture ministers in the Community's Council during the six months of British presidency were discussed by the British minister, Mr John Silkin, during an informal meeting on 28 January of ministers attending the Green Week exhibition in Berlin. Mr Silkin said: '. . . I want us to achieve a common price fixing which is, and is clearly seen to be, an improvement in the working of the common agricultural policy; to launch in the early summer a review of our objectives on agricultural structure; to make progress on harmonisation where it benefits trade and the consumer; and to resolve our problems in the fisheries sector.'

Prices

Referring to agreement on prices for 1977–78 as the presidency's major task in the next two months, Mr Silkin stated: 'The Council have particular responsibilities for the production and supply of food, and for the people who work in those industries both on land and sea. But we have a responsibility also to the consumers of this food, to counter inflation, and to ensure that the shopping basket is reasonably priced. We must produce food for people and not for stores. The well-being of those who work on the land, farmers and farm-workers alike, is justifiably the concern of us all. Understandably member states have been anxious to shield those whose activities may not always have been viable in economic terms. However, the major part in solving these difficulties must be the social policies of those countries. We should not put too great a load on the common prices or raise them unjustifiably.'

Mr Silkin thought that the 1977 price fixing was an important opportunity to consider how the workings of the common agricultural policy could be improved. 'Of course', he said, 'we must be concerned to safeguard an adequate supply of food for the years ahead. That calls for investment and a stable support policy. But the existence of structural surpluses of food is not defensible. We must aim to set 1977–78 farm prices in a way which removes these surpluses.'

Structural Policy

The minister went on to say that he was anxious for attention to be given immediately after the price fixing to the review of the structural directives for which the legislation provides. 'I believe', he stated, 'that it would be valuable to extend this review quite widely into our longer-term objectives for structural policy. I have been conscious that, although some of the existing measures are valuable, there is a feeling in some countries that we may not have clearly defined where we are going. If so, we may not be spending our limited resources as wisely as we could.'

Harmonisation

The British presidency, said Mr Silkin, would seek to press forward with those measures of harmonisation of legislation and standards, for example on food labelling, which would benefit the consumers and the flow of trade. He added, however: '. . . we think that the Community will lose more than it can gain from harmonisation solely for harmonisation's sake.'

Arrangements for Fisheries

In his reference to fisheries Mr Silkin said: '. . . we shall be trying, in association with our colleagues in the Foreign Affairs Council, to develop arrangements for fisheries which accord with the new situation brought about by the decisions of the Community and a number of third country coastal states to extend fishing limits to 200 miles [see p 421, 1976]. Measures of control and management of fish resources and arrangements for enforcing them will in particular closely concern this Council.'

Fisheries

Non-Member Countries

At its meeting on 18 January the Council agreed on measures to control fishing by non-member countries in the waters of member states. Reporting on the meeting to the House of Commons (see p 58), the Foreign and Commonwealth Secretary stated that the Council had agreed to send further communications to the Soviet Union, Poland and the German Democratic Republic, 'drawing attention to the continued excessive levels of their fishing in the waters of Community states, and laying down the precise number of their trawlers which would be permitted to fish for the remainder of the three-month interim period' (see pp 13–14). 'Only the authorised number of vessels will be licensed to fish', added Mr Crosland, 'and it will be the responsibility of member states to operate and enforce this initial licensing system.'

Licensing System. In a statement issued on 28 January, the Foreign and Commonwealth Secretary said that the agreement reached in the Community on a licensing system to control fishing by certain third countries should have an early effect in reducing the level of fishing by the Soviet Union and other Eastern European countries. He welcomed this development and said:

'Under the new system, the British Government, which holds the presidency of the EEC Council of Ministers, will be issuing licences valid for waters within the extended fishing limits of member states. I have today instructed the British ambassadors in Moscow, Warsaw and East Berlin to deliver communications on behalf of the Community outlining the new scheme, under which the number of Soviet, Polish and East German ships authorised to fish in the waters of member states will be sharply restricted.

'The number of licences will be related to the level of fishing which the Community authorised for the first three months of 1977 [see p 14]. The system applies to these three countries in the first instance because they have not yet entered into negotiation with the Community, and their boats are clearly not respecting the permitted catch. The United Kingdom, along with the rest of the Community, is anxious to see an early start to negotiations on fisheries between the Community and the Soviet Union, Poland and East Germany. But effective steps have to be taken meanwhile to keep fishing at acceptable levels. This is what we have now done.'

Common Fisheries Policy

The Government's views on the Community's common fisheries policy were expounded by Dr David Owen, Minister of State at the Foreign and Commonwealth Office, during a House of Commons debate on the White Paper *Developments in the European Community* (see p 41 and *Hansard*, 10.1.77, cols 1069–159). 'The common fisheries policy was agreed in 1970 on the same day as Britain's formal negotiations for entry began', said Dr Owen. 'It would have been far better for the Community of the Nine if this basic issue had been dealt with as part of the enlargement negotiations. It is a simple fact that it suits the interests of the original Six much better than those of the new members, particularly Britain and Ireland, and its existence was a powerful factor in the Norwegian referendum decision to reject entry.'

Referring to the renegotiation of the British membership of the Community which had taken place in 1974 and 1975 (see pp 136—44, 1975), the minister said that the Government had felt at the time that the common fisheries policy could not be renegotiated in isolation prior to a decision being taken about 200-mile limits (see p 421, 1976). The Government was now seeking to reform the policy 'in the spirit of achieving a Community solution'.

Objectives. Speaking of the objectives of the common fisheries policy, Dr Owen said: 'The overriding issue for the Community is to protect and conserve fish, for failure to do so will ensure that stocks are decimated and the future of the whole industry put at risk. Within this general priority, a Community fishing policy must have regard to the livelihood of those men and women in Community countries who over the years have developed fishing as the very basis of their coastal existence.'

Recalling that, unless the present arrangements (see p 403, 1976) are renewed before the end of 1982, all Community fishermen would be able to fish up to the British shores, the minister said: '. . . I do not think that anybody believes in absolute equality or freedom of access as the basis for a rational modern fisheries policy.' After pointing out that the whole history of international fisheries relations over the past 20 years was 'the history of successive restrictions, dictated by force of circumstances and the imperatives of conservation, on the right of all comers to fish freely wherever they liked', Dr Owen stated: 'The requirements of conservation, and rational economic and social development are the principles upon which a new Community fisheries policy should be based. Even since 1970 we have seen all over the world these principles applied with greater force as fears have grown about over-fishing. This is what lies behind the new dimension to fishing policy which the common fisheries policy must now reflect – namely, the extension of fishing limits to 200 miles.' He continued: 'The special position of the coastal state must now be recognised within the common fisheries policy. The coastal state has not only a unique interest in the successful conservation and management of the fish stocks around its shores but it has geared a substantial part of its industry to fishing close to its own ports. This is reflected in ship size, design, manning and fishing practice. It is wrong for a coastal fishing community to have its own industry destroyed by large vessels, sometimes using industrial fishing methods, coming in from other parts of the Community.'

Britain's Position. Dr Owen pointed out that Britain was contributing over half of the stocks of fish within the area of sea covered by the extension of the 200-mile limit of the Community coastal states, and had furthermore had to suffer a major cut-back in its fishing in third-country waters, particularly off Iceland (see p 14). He said that a revised common fisheries policy must take account of these facts. Recalling that Britain and Ireland sought, as part of a revised common fisheries policy, the establishment of coastal bands around the coasts of all member states (see p 421, 1976), the minister said that in the discussions over interim arrangements Britain was not prepared for its position to be prejudiced on this point. While a system of fishing quotas was also necessary, it depended essentially on voluntary compliance; coastal belts offered 'a more certain system of stock management'. 'We believe', continued Dr Owen, 'that a quota system must involve licensing of ships for specific days in the fishing grounds and the systematic recording of catches. This would offer some prospect of better control. . . . So it is not a question of coastal belts or quotas. We feel that both are necessary and will need to be backed up with a proper enforcement system.' He added: 'Conservation regulations . . . must be capable of sensible enforcement and be designed so that they cannot be broken with impunity, and that means that they must allow for decisions to be taken swiftly when necessary.'

Conservation

The British Government's objective of obtaining the urgent introduction of specific conservation measures was emphasised by the Minister of Agriculture, Fisheries and Food, Mr John Silkin, in reply to questions in the House of Commons (*Hansard*, 20.1.77, cols 613–19). Referring to the Community standstill arrangement (see p 14), the minister said: 'While we have agreed the temporary standstill in catch and not to introduce new conservation measures on a national basis in January, it would be dangerous to allow the present situation in which there is no adequate control on fishing to continue indefinitely. The four most urgent measures are a ban on herring fishing in the North Sea [see p 404, 1976]; a restriction of the area in which Norway pout may be taken at the expense of white fish stocks (Norway pout is processed into fishmeal which is used for animal food and fertiliser; immature fish of the more valuable, white fish species, are often caught in the small-mesh nets used in the pout fishing); a stricter control on bycatches (that is, accidental taking of certain species by vessels fishing for other species); and a prohibition on the carrying of nets of different mesh sizes on the same voyage. We are informing the Commission that these are the measures which we see as the most urgent. We hope to see them introduced on a Community basis, but if this is not possible then we

are entitled under the Hague agreement to introduce them ourselves.' (In addition to the matters described on p 421, 1976, the Community foreign ministers, at their meeting in The Hague on 30 October 1976, accepted the right of individual member states to adopt interim, non-discriminatory conservation measures in their own fishing zones if no Community measures had been adopted for 1977.)

Assistance for Pig Producers

The Government has decided to introduce a temporary subsidy for pig producers. This was announced in the House of Commons on 20 January by the Minister of Agriculture, Fisheries and Food (*Hansard*, cols 607–12). The minister referred to the 'very real difficulties' facing the producers as a result of the 'unfair' method of calculating monetary compensatory amounts on imports of bacon and other pigmeat into Britain (see p 422, 1976). Recalling that he had proposed to the Community's Council that a fairer method be adopted, Mr Silkin said that, in the meantime, sow slaughterings were at a 'disturbingly high' level and the breeding herd was being run down, with the resulting risk to Britain's pig supply. The Government had therefore decided to introduce the subsidy which would be at the rate of 5p per kilogram deadweight. (To qualify for the subsidy, producers will have to present pigs for certification at approved centres.)

Commission's View

The Commission of the Community has adopted the preliminary view that the subsidy threatens to distort competition and affect trade between member states, without facilitating the development of the sector in question. Mr Silkin said in a parliamentary written answer (*Hansard*, 7.2.77, written answers, cols 508–9), that the Commission had initiated proceedings under article 93(2) of the Treaty of Rome and had stated that according to the treaty the subsidy may not be put into effect until the procedure under article 93(2) has resulted in a final decision.

Article 93(2) provides, among other things, that if, after giving notice to the parties concerned to submit their comments, the Commission finds that a subsidy is not compatible with the common market, 'it shall decide that the state concerned shall abolish or alter such aid . . .'.

'In their reply', said Mr Silkin, 'the Government have pointed out that, so far from distorting competition, the subsidy serves to correct in part the distortion of competition resulting from the present unjustifiable method of calculating monetary compensatory amounts on pigmeat, and that it has no adverse effect on trade.' He added that, after enumerating other grounds on which the subsidy could be considered to be compatible with the common market, the Government had asked the Commission to reconsider its view, and had decided to apply to the Council of Ministers for a decision that the subsidy should be considered compatible with the common market. Meanwhile, the subsidy was already in operation.

Anglo-German Relations

VISIT OF THE FEDERAL GERMAN CHANCELLOR

The Federal German Chancellor, Herr Helmut Schmidt, had talks in London on 23 and 24 January with the Prime Minister, Mr James Callaghan, in the course of one of the series of regular six-monthly visits between the British and Federal German heads of Government. Herr Schmidt was accompanied by four ministers – in charge, respectively, of foreign affairs, finance, economy and defence – while on the British side the Chancellor of the Exchequer and the Secretaries of State for Foreign and Commonwealth Affairs, Energy, and Defence took part in the talks.

Economic Matters

In a statement in the House of Commons on 25 January (*Hansard*, cols 1174–82) Mr Callaghan said: '. . . I expressed to the Chancellor the appreciation of Her Majesty's Government for the support which the Federal Government has given us in recent weeks in connection with the IMF loan [see p 25] and the safety net [the facility for the official sterling balances – see p 63], both of which have contributed greatly to more stable conditions in the international money markets.'

Speaking of the world recession, the Prime Minister said: 'We were agreed that a properly prepared meeting of leading industrialised countries would be helpful in co-ordinating our policies for bringing the world out of recession.' He continued: 'Britain's prospects for recovery in 1977 are based on growing exports and I emphasised the importance we attach to continuing expansion in the economies of the world, including those of the United States, the Federal Republic of Germany and Japan, as a means of generating greater expansion and more employment in the rest of the world.'

Defence

'On defence matters', said Mr Callaghan, 'we welcomed the declared intention of President Carter and of the Soviet Union to seek a new agreement on strategic arms limitation and agreed that the Vienna negotiations on reducing conventional arms should be given a new impetus.' He continued: 'We did not attempt to reach a final agreement on the question of offsetting the cost of stationing our troops in Germany on which our two Governments hold different positions. The Federal Chancellor pointed out that similar arrangements with the United States had already been brought to an end. Our discussions will continue and we are both confident that we shall with time reach a conclusion on this matter.'

Replying to a question from the Leader of the Opposition, Mrs Margaret Thatcher, the Prime Minister said: 'As for the reduction of our forces in Germany, as a matter of policy it is certainly not the Government's desire to reduce such forces . . . .' There was, therefore, 'no intention of reducing our forces pending any discussions or agreements on mutual balanced force reductions in Vienna'.

Shorter Notes

CZECHOSLOVAKIA

In answer to questions in the House of Commons (*Hansard*, 2.2.77, cols 528–30), the Foreign and Commonwealth Secretary, Mr Anthony Crosland, spoke of the Government's 'profound concern' about the Czechoslovak Government's treatment of certain of its citizens who had signed a document known as Charter '77. This document alleges breaches by the Czechoslovak Government of the undertakings relating to human rights in the Final Act of the Helsinki Conference (see pp 307–12, 1975). Mr Crosland stated that there was absolute unanimity in the House of Commons that 'this kind of suppression of human rights and free speech . . . is not tolerable and acceptable to Western opinion', and that if continued it would greatly diminish the prospects for a successful outcome to the CSCE Review Conference to be held in Belgrade later in 1977 (see p 312, 1975). Furthermore, he categorically denied the charges of espionage made in Czechoslovakia against certain British citizens including two former ambassadors.

ECONOMIC AND SCIENTIFIC AFFAIRS

The Sterling Balances

A broad agreement on the setting up of a $3,000 million facility for the official sterling balances[1] was announced by the Bank for International Settlements (BIS) in Basle on 10 January. Reporting the agreement to the House of Commons the next day (*Hansard*, cols 1260–61, see p 26, footnote) Mr Denis Healey, Chancellor of the Exchequer, said that its purpose was not only to achieve greater international monetary stability and to ensure that sterling and the exchange markets ceased to be affected by pressures associated with any rundown of the official sterling holdings, but also to enable the Government to achieve an orderly reduction in the role of sterling as a reserve currency.

The agreement would in no way reduce the existing freedom of non-resident sterling holders to manage their holdings as they wished. The Government would, however, be offering official holders the option to convert any part of their holdings in sterling into negotiable medium-term foreign currency bonds to be issued on market-related terms.

The new facility, which, Mr Healey said, would be available as soon as all the technical details had been worked out, would be operated by the BIS, with the support of central bankers in participating countries.[2] Over a two-year period Britain would be able to draw on the facility in respect of any net reductions in the sterling holdings from December 1976 levels, other than reductions arising from conversion to the foreign currency bonds. This period could be extended for a further year if all the participants agreed. Repayment would be over a period of four years from the end of the period during which the holdings were reduced.

The facility covered only the official sterling balances, the Chancellor said, because these had been the unstable element in recent years. However, the Government would not wish any large new inflows into private holdings to be a means of financing Britain's balance of payments deficit on current account.[1]

Mr Healey said that, as the statement by the BIS made clear, the agreement had been possible because there had been general approval of Britain's economic and financial policies as set out in his letter of 15 December 1976 to the Managing Director of the International Monetary Fund (IMF) (see p 25). The new facility for the official balances assumes that these policies will be continued. The Managing Director of the IMF had been associated with the discussions and had been asked to assist in implementing the agreement.

[1]These official holdings of sterling by overseas countries are held either in the form of British Government and local authority stocks, as deposits with British banks and other financial institutions or as Treasury bills.

[2]Austria, Belgium, Canada, Denmark, the Federal Republic of Germany, Japan, the Netherlands, Norway, Sweden, Switzerland and the United States. On 10 February the Government announced that the main details of the scheme had been agreed and that the facility had been available since 8 February (Treasury press notice 10.2.77). Britain will be entitled to draw on the facility for the full amount of any net fall in the official sterling balances below £2,165 million (the level on 8 December 1976) in the first year of the facility and 75 per cent thereafter. This 'trigger' level will be reduced to the extent of sales of foreign currency bonds. Entitlement to draw may be exercised at any time when the reserves are less than $6,750 million and in certain circumstances when the reserves exceed that figure, if the participants agree. If no drawing is made in any month in which there is an entitlement to draw, the entitlement may be carried forward into the next period. Any drawings will be in US dollars and the interest payable will be closely related to market rates.

Public Expenditure Plans

A significant reversal of the trend of public expenditure to rise as a proportion of gross domestic product (GDP) is shown in the first volume of a White Paper on the Government's expenditure plans,[2] published on 27 January. This volume gives a general account of the plans and programme totals up to 1978–79 and shows that planned expenditure programmes for 1977–78 and 1978–79 are lower in real terms than those in 1975–76 and 1976–77. Volume 1 does not contain figures for 1979–1980 and 1980–81 because the figures for those years are even more provisional than usual, in that they have not been reappraised in the light of developments which led to the economic measures announced on 15 December (see pp 22–6).

A second part of the White Paper is to be published in late February and will contain, among other information, further details of individual program-

[1]A seven-year $1,500 million loan from a syndicate of banks in the Federal Republic of Germany, North America and Britain has been arranged to strengthen the reserves on a secure, medium-term basis. Announcing the loan on 24 January (*Hansard*, cols 405–6) the Chancellor reaffirmed the Government's intention not to meet Britain's external financing needs on the basis of any build-up of potentially volatile holdings of sterling.

[2]*The Government's Expenditure Plans*. Cmnd 6721–I. HMSO, 60p. ISBN 0 10 167210 1.

mes and of nationalised industries' capital investment and financing.

The White Paper incorporates a number of changes in definition and presentation, particularly in respect of debt interest and financing of capital expenditure by nationalised industries as already explained by the Treasury to the Expenditure Committee of the House of Commons (see p 471, 1976 and below).

General Review

The White Paper recalls that the plans in the 1976 White Paper (Cmnd 6393, see pp 110–13, 1976) involved a levelling off of the growth in public expenditure, coming as they did after a period of years in which the increase in total public expenditure had outstripped the growth in national output, and during which the energy crisis and the quadrupling of oil prices had brought about a need for a radical adjustment in the economies of most other industrialised countries as well as of Britain.

The objectives of the 1976 White Paper had been to make possible a shift of resources into industrial investment and exports; to restrain the increase in the burden of taxation which would otherwise have been necessary; to maintain an appropriate balance between take-home pay and the provision of public services; and by these means to help to reduce inflationary pressure in the economy. At the same time it had been stressed that the Government would be ready to modify the programmes if this proved necessary. In the event, the problems of achieving a sustained shift into exports, at a time when world trade had been relatively slow in recovering from the recent recession, together with the problems of financing both the internal and external deficits, even with an initial contribution from North Sea oil, had required adjustments within the medium-term expenditure plans. These had included the measures announced in July 1976 (see pp 325–8, 1976) and December.

1975–76 and 1976–77

The estimates of outturn now available show that total expenditure on programmes in 1975–76 was a little below the estimated outturn included in the 1976 White Paper. The main area where the actual volume of expenditure was more than expected was the housing programme. Expenditure on programmes in 1976–77 excluding nationalised industries, for which the basis of presentation has been changed, is estimated to be within the 1976 White Paper's total and the contingency reserve.

1977–78 and 1978–79

Table 1 gives a summary of expenditure plans by spending authority from 1975–76 to 1978–79 while Table 2 shows expenditure by main programme for 1973–74 to 1978–79. The 1977 White Paper differentiates more clearly than its predecessors between expenditure by the three main categories of spending authority: central Government, local authorities and public corporations (other than nationalised industries), the arrangements for control being different for each of the three categories, as is the extent of the Government's responsibility for management of expenditure in each case.

A summary of the changes since the 1976 White Paper is given in Table 3. The most significant changes were the measures announced in the April 1976 budget (see pp 200–9, 1976) and in the further statements of 22 July and 15 December, a number of which were designed to alleviate unemployment and to assist the industrial strategy. A revised estimate of the social security programme now includes the net cost of the first phase of the child benefit scheme (see p 267, 1976), after allowing for the savings on tax allowances, and other changes. There are also increases in the net contributions to the European Community, partly offset by lower expenditure on market regulation under the common agricultural policy.

Control and Monitoring

Expenditure plans are costed initially at constant 'survey' prices, and must be translated into cash provision for the year immediately ahead. Wherever possible, control figures for the year ahead are now expressed as cash limits (see pp 209–10, 1976), which set a maximum on the extent to which the Government is prepared to adjust the original planning figures for pay and price increases. Cash limits were applied to over 65 per cent of central Government voted expenditure in 1976–77, including the rate support grants and supplementary grants paid towards the current expenditure of local authorities. The main services not covered by cash limits are those which are demand-determined, that is, services where the Government is obliged to meet claims from duly qualified applicants. Where cash limits apply, departments and other spending agencies cannot rely, as they have in the past, on supplementary provision beyond the cash limit. So far as 1976–77 is concerned, the Government has indicated that the cash limits should be generally adhered to. Only minor exceptions are being made to this rule and then only after first applying every possible means of absorbing extra expenditure. Cash limits will be applied to a similar range of expenditure in 1977–78.

In 1977–78, profiles, already used for central Government cash limited expenditure, are to be developed for the voted expenditure not subject to cash limits, and for some other central Government expenditure, and there is to be a regular analysis of expenditure, distinguishing between changes in pay and prices on the one hand and in volume on the other.

Over most of the post-war period, local authority expenditure has increased faster than public expenditure programmes as a whole, partly in response to demographic trends. During the past two years, however, it has declined slightly both in absolute terms and as a proportion of public spending, with a reduction in capital spending more than offsetting a continued rise in current expenditure. A further small reduction as a proportion of public spending is envisaged for 1977–78.

The Government does not have the direct control over total local authorities' expenditure that it can exercise over its own spending, although it can and does control their capital expenditure within narrow limits and influence the level of their current expenditure through the rate support grant system and guidance issued to them. The co-operation between

central and local government necessary to regulate the total of local authority expenditure within a reasonable margin has been developed through the Consultative Council on Local Government Finance and similar arrangements in Scotland.

Contingency Reserve and Debt Interest

The White Paper outlines the operations of the contingency reserve which has now been developed into a more operational instrument, as one of the means of securing that actual expenditure is kept within the White Paper plan.

In addition to the planned total of public expenditure, represented by the various functional programmes and the contingency reserve, a separate projection is made for the estimated cost of debt interest, which has to be met either out of taxation or by fresh borrowing. The 1977 White Paper presents debt interest on both the previous basis of total debt interest paid by the public sector and on a

Table 1

Public Expenditure Plans

£ million at 1976 Survey prices

	1975-76	1976-77	1977-78	1978-79
Public expenditure by:				
Central Government*	35,139	35,454	34,144†	34,815
Public corporations other than the nationalised industries	1,241	1,439	1,306	1,255
Local authorities	15,436	15,005	14,102	13,860
Total expenditure on programmes	51,816	51,898	49,552	49,930
Contingency reserve	—	—	650	900
Debt interest‡	1,128	1,800	2,300	2,300
Total public expenditure§	52,944	53,698	52,502	53,130

*Includes Government loans and capital grants to the nationalised industries. The estimated cost of the child benefit scheme in 1977-78 and 1978-79 is measured net of the associated reduction in child tax allowances.
†Net of £500 million for proceeds of sale of shares in the British Petroleum Company (see p 24).
‡New basis.
§Total public expenditure, excluding Government loans and capital grants to the nationalised industries, the receipts from the sales of British Petroleum Company shares and debt interest in the four years is £50·5 billion, £50·9 billion, £49·8 billion and £49·8 billion.

Table 2

Public Expenditure by Programme: 1973-74 to 1978-79

£ million at 1976 Survey prices

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
Defence	5,460	5,265	5,548	5,621	5,444	5,397
Overseas aid and other overseas services	990	935	797	1,062	1,252	1,380
Agriculture, fisheries, food and forestry	855	1,708	1,605	1,003	551	516
Trade, industry and employment:						
Investment grants	348	145	70	29	9	3
Other	3,144	3,390	2,938	3,045	2,143	2,466
Government lending to nationalised industries	314	951	1,146	800	750	900
Roads and transport	2,459	2,754	2,811	2,716	2,368	2,204
Housing	3,723	5,152	4,622	4,680	4,286	4,275
Other environmental services	2,582	2,561	2,612	2,560	2,295	2,199
Law, order and protective services	1,551	1,660	1,759	1,848	1,836	1,806
Education and libraries, science and arts	7,263	7,316	7,493	7,519	7,307	7,181
Health and personal social services	6,051	6,208	6,429	6,533	6,524	6,587
Social security	9,327	9,951	10,799	11,168	11,659	11,910
Other public services	734	782	844	838	807	805
Common services	714	720	803	849	783	798
Northern Ireland	1,254	1,438	1,540	1,627	1,538	1,503
Total programmes	46,769	50,936	51,816	51,898	49,552	49,930
Contingency reserve	—	—	—	—	650	900
Total	46,769	50,936	51,816	51,898	50,202	50,830
Debt interest:						
new basis	1,354	1,055	1,128	1,800	2,300	2,300
national income accounts basis	5,578	5,699	5,472	6,500	7,300	7,400

Table 3

Changes to Expenditure Programmes Since the 1976 White Paper* (Cmnd 6393)

£ million at 1976 Survey prices

	1975-76	1976-77	1977-78	1978-79
Defence	− 42	−	−200	−230
Overseas aid and other overseas services	− 78	+ 5	+111	+150
Agriculture, fisheries and forestry	− 48	−143	−430	−243
Trade, industry and employment	−145	+363	−389	−148
Roads and transport	− 85	− 47	−183	− 93
Housing	+219	+187	−160	−118
Other environmental services	− 18	+ 34	−249	−256
Law, order and protective services	− 17	+ 34	+ 14	+ 4
Education and libraries, science and arts	+ 85	+ 36	− 79	− 80
Health and personal social services	− 44	+ 18	− 88	−122
Social security	−110	−397	+119	+441
Other public services	− 10	− 27	− 56	− 48
Common services	− 25	+ 34	− 31	− 35
Northern Ireland	− 76	− 17	− 65	− 46
Totals	−394	+ 80	−1,686	−824

*Total changes to expenditure programmes, excluding nationalised industries, debt interest and the contingency reserve.

new basis which excludes those interest payments which are covered by trading income or interest receipts.

Public Expenditure and the Economy

The White Paper surveys the internal and external developments which led to the ratio of public expenditure[1] to GDP rising to 46 per cent over the three years to 1975–76, compared with 35·5 per cent ten years earlier. The expenditure totals set out in the White Paper do not take account of the further adjustments announced in December, the form of which has not yet been decided. Subject to this, the ratio of public expenditure to GDP at market prices is expected to fall from 46 per cent in 1975–76 to between 42 and 43 per cent in 1978–79. (The decline measured at factor cost would be from 51·5 per cent to 48 per cent.)

The White Paper states that the next two or three years must be essentially a period of adjustment in the economy in which the imbalance in the balance of payments must be corrected and the fight against inflation continued. By not exceeding the expenditure plans, with continuing restraint in incomes, and an increasing flow of oil from the North Sea, the Government considers that it should be possible to move into substantial balance of payments surplus in 1978, and to achieve a further improvement in 1979. By 1980 the current account surplus should be approaching the high level that will be needed for several years thereafter in order to discharge Britain's debts and strengthen the external finances so making Britain less vulnerable to external shocks in the future. Even with the help of North Sea oil, the White Paper states, 'the achievement of this improvement in the balance of payments will entail a very tight rein on the growth of domestic demand, both private and public'.

To create the conditions in which a sustained increase in employment will be possible, the White Paper continues, efforts must be concentrated on improving industrial performance, and especially on securing a more rapid increase in net exports. While North Sea oil gives the prospect of a substantial surplus in the balance of payments it will not, by itself, provide significant additional employment, except in Scotland. However, by easing constraints on the balance of payments it will give the opportunity of a major strengthening of the industrial base, and through this a renewed growth in employment. It is to these objectives that the Government now intends to give precedence.

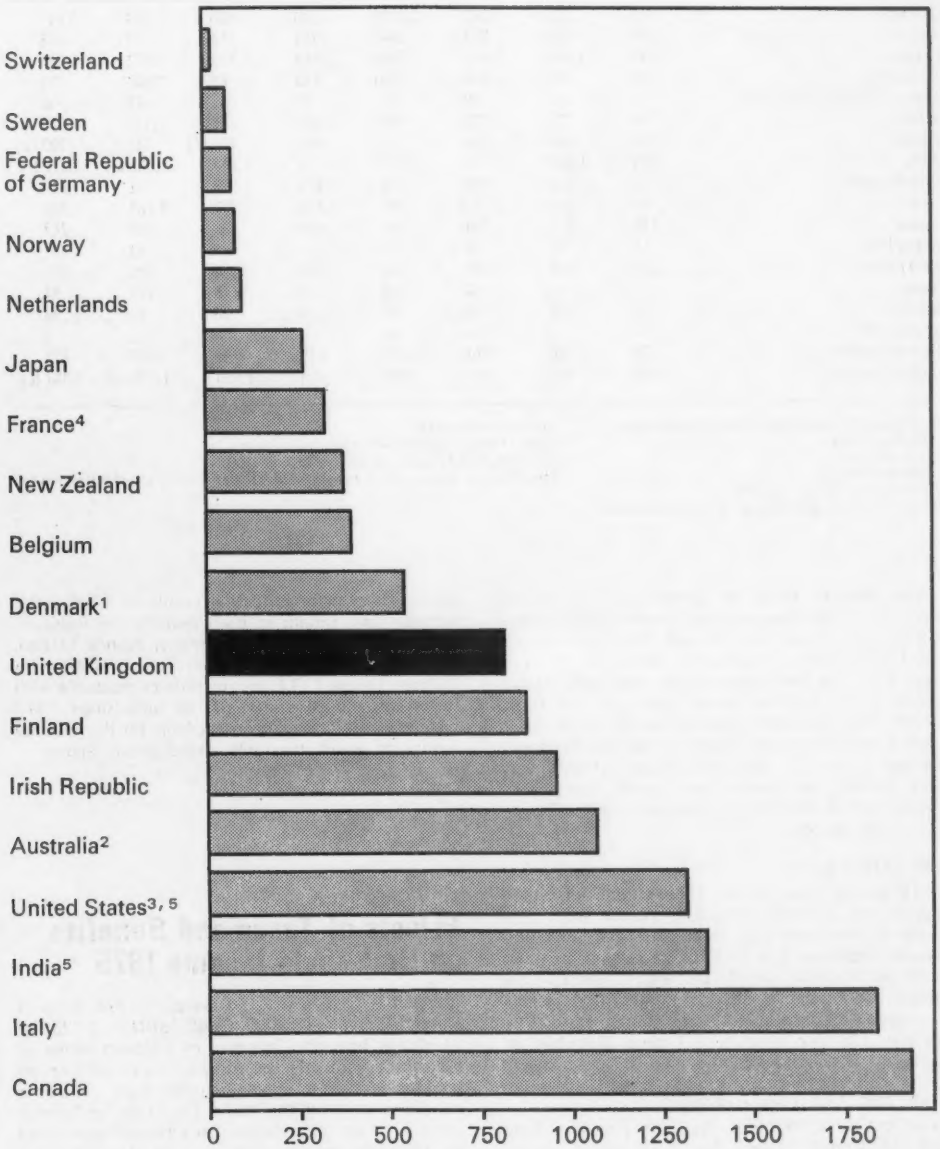
[1]As defined in Table I.

Industrial Disputes: International Comparisons 1966-75

Britain ranks better than seven other important countries in a comparison of days lost per 1,000 employees through industrial disputes in 18 countries over the period 1966–75, published in the December 1976 issue of the *Department of Employment Gazette* (HMSO, 90p, ISBN 0 11 724482 1) and was among the countries showing the greatest improvement in industrial relations in 1975. [A continued improvement in Britain's strike record in 1976, when the number of days lost through industrial disputes was 45 per cent less than in 1975, was reported in the January 1977 issue of the *Gazette* (HMSO, £1·20, ISBN 0 11 724483 X)].

Industrial Disputes — How the United Kingdom Compares

Annual average number of working days lost per 1,000 employees, 1966–1975



1 Manufacturing only
2 Including electricity and gas, excluding communication
3 Figures cover also electricity, gas and sanitary services
4 1968 not included
5 1975 not included

Source: *Department of Employment Gazette*, December 1976.

Days Lost (per 1,000 people employed) Through Industrial Disputes

	1966	1972	1973	1974	1975†	Average for 5 years 1966-1970	5 years 1971-1975	10 years 1966-1975
Australia*	360	880‡	1,080‡	2,670‡	1,390	608	1,464	1,036
Belgium	320	190‡	520‡	340‡	340	314	422	368
Canada	1,570	1,420	1,660‡	2,590‡	2,840	1,836	1,862	1,849
Denmark§	30	40	4,440‡	330‡	190	64	1,006	535
Federal Republic of Germany	—	10	40	60	10	12	92	52
Finland	150	520‡	2,470‡	460‡	300	256	1,410	833
France	240	300	330	250	390	263 (*b*)	342	303 (*b*)
India	890	1,300	1,330	2,480	(*a*)	1,204	1,553 (*c*)	1,379 (*c*)
Irish Republic	1,420	600	420	1,260	810	1,102	752	927
Italy	1,710	1,670	2,480‡	1,800	1,640	1,822	1,730	1,766
Japan	170	270	210	450	400	166	328	247
Netherlands	10	70	330	—	—	34	90	62
New Zealand	230	300	530	360	380	326	384	355
Norway	—	—	10	490	10	18	104	61
Sweden**	110	10	10‡	30	20	36	62	49
Switzerland	—	—	—	—	—	—	2	1
United Kingdom	170	2,160	570	1,270	540	404	1,146	775
United States‡‡	880	860	750	1,480	(*a*)	1,500	1,173 (*c*)	1,337 (*c*)

*Including electricity and gas, excluding communication.
†Preliminary figures.
‡Revised figures.
§Manufacturing only.
**All industries included until 1971.
‡‡Figures cover also electricity, gas and sanitary services.
(*a*) Figures not available.
(*b*) 1968 figure unavailable and not included in averages.
(*c*) 1975 figure unavailable and not included in averages.
Note: Where no figure is given the number of days lost per 1,000 employed is less than five.

The diagram on p 67 (based on information supplied by the International Labour Office) shows the number of days lost through industrial disputes per 1,000 people employed in these 18 countries over the past ten years – while the table above shows more detailed figures (see also pp 75–7, 1976). The industries covered are in most cases mining, manufacturing, construction and transport. As the definitions used for these statistics vary from country to country, too much significance should not be attached to relatively small differences in the figures.

The 1975 Figures

In 1975 only three of the 16 countries for which figures are available (Canada, France and New Zealand) lost more days through strikes per 1,000 people employed than in 1974. A number of other countries showed significant improvements – the largest reductions in days lost per 1,000 people employed, in percentage terms, being shown by Norway (98 per cent), the Federal Republic of Germany (83 per cent) and Britain (57 per cent).

Five- and Ten-Year Averages

In all but three countries (the Irish Republic, Italy and the United States) the strike record in the second five-year period (1971–75, or 1971–74 in the case of India and the United States, for which 1975 figures were not available) was worse than in the first (1966–70). Those countries which have on average lost more days per 1,000 employees than Britain in both the five-year periods include Australia, Canada, India, Italy and the United States. The major industrial countries with better records than Britain in both periods are Belgium, the Federal Republic of Germany, France, Japan, the Netherlands and Sweden (the statistics for Sweden before 1972 are not truly comparable with those for subsequent years, as only since 1972 have separate figures been available for the industry groups to which the table and diagram relate).

Effects of Taxes and Benefits on Household Income 1975

A report published in the December 1976 issue of *Economic Trends* (HMSO, £1·45, ISBN 0 11 723968 2) shows how the incomes of different types of households are affected by public expenditure on health, education, cash benefits and consumer subsidies, and by the taxes they pay to finance them.[1] The analysis shows that a typical household in 1975 – a couple with two children and an original income of around £3,400 – would have paid £482 in income tax and £160 in national insurance contributions but received back an average of £105 in cash benefits (of which family

[1]The estimates in the report are based on extended analysis of data derived from the Family Expenditure Survey (see pp 476–7, 1976).

allowances accounted for £66 and other cash benefits, such as sickness, unemployment and maternity benefits, for £39). Thus its 'disposable income' was about £2,900 of which £622 went towards indirect taxes – for example, local rates, VAT, drink and tobacco duty. It is calculated, however, that the household would have received benefits such as food and housing subsidies, education and health services costing £796. The cost of a large number of public benefits such as parks, libraries, refuse collection, police and fire services and defence is not included in this total because it cannot be allocated satisfactorily to individual types of households.

The Effects of Different Taxes and Benefits

The report shows how incomes are redistributed both from households with large incomes to those with small incomes and from smaller households to larger ones with children, the effect of both income tax and cash benefits being highly progressive. The combined effect of cash benefits and direct taxes (that is income tax and national insurance contributions) was to reduce the share of income of the most wealthy 10 per cent of households from 26·2 per cent to 22·1 per cent of the total: the share of income of the least well off 10 per cent of households (mainly retired households) was raised from about 0·1 per cent to 2·8 per cent.

Cash benefits go largely to pensioners and to other low income households, particularly those with children. Not only does income tax take a much higher proportion of income from better-off households but, because of child tax allowances, large families pay less tax than small families. For example, while the average income (including cash benefits) of couples with one child was about £4,000 a year, similar to that of couples with four children, the former paid 16 per cent of this income in income tax, while the latter paid only 11 per cent.

The report analyses the effect of indirect taxes – such as local rates, VAT, drink and tobacco duty, and motor vehicle duty – on different kinds of households. Some indirect taxes (notably rates) are regressive, that is they have the effect of making incomes proportionately less equal. On average, households are shown to pay just over 20 per cent of their disposable income in indirect taxes.

The impact of housing and food subsidies is also analysed. The much less well off, and couples with three or four children, are shown to gain considerably more than average from housing subsidies. Receipts of food subsidy, for obvious reasons, vary more by household type than by income level, and range from an average of £55 a year for couples with four children to £15 a year for a retired person living alone.

The article goes on to look at the cost of providing education, health and other social service benefits to different types of households. Again, provision of these benefits varies more by type of household than income level. The cost of providing health services for one non-retired adult was estimated to be £82, while for a couple with four children it amounted on average to £317. The average cost of providing education services for a couple with four children was estimated to be over £1,000 a year.

Insurance Intermediaries

A new framework for the regulation of insurance selling is outlined in a consultative paper published on 18 January by the Department of Trade (*Insurance Intermediaries*, Cmnd 6715, HMSO 45p, ISBN 0 10 167150 4). The Government has accepted in principle the case for self-regulation of insurance broking along the lines proposed by the British Insurance Broker's Council (BIBC) in its consultative document on the regulation of insurance brokers published in November 1976. (The text of this document – *A Consultative Document on the Regulation of Insurance Brokers* – is annexed to the Department of Trade's paper and summarised below.) The Government also accepts the BIBC's view that, when the new system of self-regulation is brought into force, only brokers registered under it should be entitled to call themselves 'insurance brokers'. The Insurance Brokers (Registration) Bill,[1] introduced as a Private Member's Bill, contains provision to achieve this. The Government supports the Bill in principle and it received its second reading on 28 January (*Hansard*, cols 1857–936).

The Department of Trades' paper also contains proposals for improving the control of insurance agents and envisages that insurance policies could eventually be sold only by: (1) Brokers registered with the new registration body; (2) Insurance companies and their employees; (3) Agents of named insurance companies (or registered brokers) working within the terms of their agency.

The Current Situation

The paper points out that while the Government already protects buyers of insurance by supervising insurance companies, insurance intermediaries – brokers and others – are not subject to any control or supervision comparable to that applied to the insurers. In 1975 some 50 per cent of domestic insurance business, excluding industrial life insurance, is estimated to have been placed by insurance brokers. Of the balance, a significant proportion was arranged by full-time agents and employees of insurance companies, and the remainder through members of the professions, the building societies and banks, and other part-time agents. About 3,000 brokers, whether individuals or firms, belong to the four bodies which make up the BIBC. It is estimated that some 6,000 others describe themselves as brokers – whether all of these are truly brokers depends on the definition used. No estimates are currently available of the number of insurance agents because the variety of types of agency makes estimation difficult.

The Need for Regulation

The paper explains that insurance is an essential and complex product. It must, therefore, be readily available but it is particularly important that its sellers should be both knowledgeable and trustworthy. In recent years there has been growing public disquiet about the lack of regulation of insurance intermediaries and concern about the

[1]This Bill provides for the registration of insurance brokers and for the regulation of their professional standards; and for purposes connected therewith.

lack of a clear distinction between the insurance intermediary who acts as an agent representing an insurance company or companies, and the 'insurance broker', who holds himself out as offering disinterested advice to his client on the cover most suited to his needs. Regulations issued by the Department of Trade in 1976 require sole agents of insurance companies to disclose their relationship with the company when selling insurance, but they do not require the disclosure of all agency arrangements. The paper states that there is also unease about the possibility of anyone setting up in business as an insurance broker, whatever his knowledge and experience of insurance, whatever his character and ethics, and whatever his financial resources or arrangements for handling his client's money. Concern has also been expressed over the inadequate standards for the training of insurance agents.

Brokers

The Government's concern over insurance brokers led the then Secretary of State for Trade in May 1975 to approach the four brokers' organisations which have since joined together in the BIBC, asking them jointly to consider in detail how arrangements might be made for a self-regulatory body to determine appropriate standards for insurance brokers, draw up a code of conduct, control admission and maintain discipline. The broking bodies were also asked to consider, as a reserve option, the possibility of legislation to set up a Government-run licensing system for brokers. The Government, however, is not disposed to pursue the idea of a State licensing scheme unless it proves impossible to achieve an effective and open system of regulation run by the brokers themselves. This is because the Government does not currently have officials with the expertise and knowledge of insurance broking to which the BIBC has access and because it is reluctant to adopt a scheme, in the present economic conditions, which would increase demands for public expenditure and manpower, even though this expenditure might be balanced by equivalent income through licence fees.

The Government thinks that the BIBC's proposals can provide the basis for a practicable and effective scheme of self-regulation. It has given careful consideration to the proposals, especially to the one for a registration committee to be set up under the auspices of the BIBC to register those brokers (not necessarily members of the organisations comprising BIBC) who meet certain standards of independence, experience, good character and, where appropriate, professional qualification, and who are willing and able to adhere to any code of conduct and the disciplines laid down by the registration committee from time to time. The paper says that the Government is inviting comment on the proposals for the scheme of self-regulation and that the comments received will be taken fully into account before the Government endorses any particular scheme. It also points out that any arrangements will have to be compatible with the European Community's directive on insurance intermediaries. The Government supports the conclusion of the BIBC's document that only registered brokers should be entitled to call themselves 'insurance brokers' and favours legislation enabling the Secretary of State for Trade to reserve the title 'insurance broker' to brokers registered with an organisation approved by him. Approval would be given only to an organisation prepared to implement the standards and controls that he considers adequate having taken into account relevant factors.

BIBC Proposals

The BIBC's consultative document sets out proposals for:

1 The formation of a registration committee by the BIBC for those wishing to describe themselves as 'insurance brokers' and who could satisfy the committee that they had the necessary experience, technical and financial qualifications, and who were willing and able to adhere to the code of conduct and disciplines laid down by the committee;

2 The accounting and financial disciplines to be observed by an insurance broker;

3 The establishment of a disciplinary committee to consider any complaints made against insurance brokers;

4 The procedure for an insurance broker's right of appeal when rejected by the registration committee or having his name removed from the register;

5 The establishment of a guarantee fund to meet losses caused by the insolvency of a registered insurance broker in respect of those persons and of those classes in insurance business provided for in the Policy-holder's Protection Act 1975;

6 A possible code of conduct to be observed by all insurance brokers inscribed on the register;

7 A recommendation that the term 'insurance broker' should be restricted by law to those businesses whose names are on the register.

Agents

The Department of Trade's paper states the Government's belief that consumer protection in the field of insurance selling can be improved significantly only if high standards are enforced on insurance agents as well as insurance brokers. The possibility of Government action to lay down standards for agents has been considered but rejected in view of the wide variety of agents retained by companies and the high costs in terms of manpower and money of an effective system of central control. The right way to improve the standards of insurance agents, in the Government's view, is to make the companies employing them fully responsible for the agent's conduct in carrying out the terms of the agency with the company. This carries with it the corollary that insurance should not be sold by agents except within the terms of such an agency agreement.

The Government believes that to make insurance agents at all times the responsibility of the company for which they act would have several advantages for the consumer without laying any unreasonable burden on the insurer, as follows:

1 Insurers and others using agents to sell insurance would need to consider in the light of their

legal responsibility whether they should raise the standards of selectivity and training for their sales forces;

2 Policyholders would be surer of their rights under insurance policies and, unless an agent had acted outside the terms of his appointment, would be able to get redress more easily for his failings by proceeding directly against the responsible insurance company.

Future Control of Intermediaries

The new controls on brokers and agents foreshadowed in the Department of Trade's paper point to a new framework of control over the whole field of insurance selling. The prospective purchaser of insurance needs to be sure that the person selling him insurance is either a truly independent adviser who meets certain minimum standards of expertise, ethics and financial security or, if not independent, answerable to an identifiable insurance company for his acts and omissions in promoting and selling the policy.

It would be an offence for any person not included in the eventual framework of control to be engaged for pecuniary gain in the selling of insurance. The Government believes that such a scheme would strike a reasonable balance between the interests of insurers in maximising their sales outlets and of consumers in knowing that the intermediaries they deal with are experienced and dependable people.

Industrial Democracy

Employees in Britain should have the right to be represented on the top policy-making boards of the largest companies in the private sector, according to recommendations contained in the majority report of the Committee of Inquiry on Industrial Democracy (see p 321, 1975, and pp 44, 130, 1976). The *Report of the Committee of Inquiry on Industrial Democracy* (Cmnd 6706, HMSO £3, ISBN 0 10 167060 5), known as the Bullock report, was published on 26 January.

The reconstitution of company boards to provide for equal worker and shareholder representation would, it states, facilitate the joint formulation of company policy by representatives of labour and capital, thereby establishing a new basis for agreement on a framework of policy within which management could act. For this reason, the majority of the committee takes the view that its recommendations would have a beneficial impact on industrial efficiency; and that it is only by providing employees with the right to equal representation on company boards that society can expect them to shoulder equal responsibility for the success of industry.

The majority report also points out that, as a member of the European Community, Britain will be involved in discussions on the merits and demerits of employee representation on boards (see p 130, 1976); moreover, such representation is already a reality in the Federal Republic of Germany and in Sweden, whose economic performance has been highly successful.

MAJORITY REPORT

The majority report – signed by the chairman of the committee, Lord Bullock, and six other members, proposes that:

1 Where the right to be represented is exercised, the board should be reconstituted to include an equal number of employee and shareholder representatives, with a smaller third group of co-opted directors who would be mutually agreed.[1]

2 All directors would have the same duties and responsibilities to the company – and they would be obliged to consider the interests of shareholders and employees.

3 Employee representation would be introduced by a process starting with a request from one or more independent[2] trade unions, representing 20 per cent of the company's employees and recognised by the company, and a secret ballot of all employees.

4 The arrangements for the selection of employee representatives would be made by a joint union committee – the Joint Representation Committee – representing all independent and recognised trade unions in the company.

5 The employee representatives would be employees of the company, not full-time trade union officials. They would not receive special directors' fees on top of their normal pay but would have access to secretarial and similar services and a right to time off from their duties in this respect.

6 Shareholder representatives would normally be top executives of the company, as at present.

7 Britain should not adopt a formal two-tier structure of supervisory and management boards [see also p 130, 1976], but should build on the present flexible system of a single board.

8 An Industrial Democracy Commission should be set up to help industry introduce the new system. A training programme will be necessary for the new directors, of which the extra cost should largely be borne from public funds.

Legislation applying to enterprises employing 2,000 or more people should be introduced and should apply both to the board of the holding company of a group with a total of 2,000 or more employees and to large subsidiaries which themselves employ 2,000 or more people.

The committee calculates that some 7 million people, or more than a quarter of the total workforce, are employed by the 738 enterprises employing 2,000 or more people in Britain which, in addition, employ over 2 million people overseas. Of these enterprises, about one in six or seven is a multinational company controlled from overseas.

The figure of 738 is not the same as that for all companies employing 2,000 or more people, since virtually all these enterprises are in fact groups of companies organised in pyramids of holding and subsidiary companies. The figure for all companies employing 2,000 or more is in the region of 1,800. Trade union membership in these larger British

[1]One signatory of the majority report has also signed a note of dissent on the proportion of employee representatives on a company's board.

[2]That is, independent of employer domination or control.

enterprises has grown and on average is of the order of 70 per cent.

Economic and Social Background

The majority report gives the background to the committee's proposals by describing how it set about its task, providing the relevant statistics on the private sector, to which the proposals relate,[1] and looking at economic and social changes since 1945 which have led to pressure for greater worker participation in company decision-making. It notes that as companies have grown in size and complexity over the last 20 years, 'they have also tended to become remote from the communities in which they operate and from the people whom they employ. . . . Industry has come under pressure to consider the wider effects of the decisions it takes in pursuit of profitability, and companies now explicitly or implicitly accept that they have responsibilities not just to shareholders, but also to employees, customers, creditors, suppliers, the local community and to society at large.' Moreover, the effect of social changes which have taken place since 1945, especially rising standards of education and higher standards of living, has been 'an increasing desire among employees to control their working environment and to have a say in decisions which affect their working lives. . . . The extension of trade unions' influence on the economy and on industry has been one of the more marked changes in the last decade, and it is through the trade unions that a large measure of employee participation has already been achieved.'[2]

The report concludes this section by noting that 'the concern of the committee has been to consider how . . . existing forms of participation can best be complemented, extended and developed, in response to the pressures for change . . .'.

Proposals for Board-level Representation

The range of proposals before the committee for the extension of industrial democracy, including those submitted by the Trades Union Congress (TUC), the Confederation of British Industry (CBI) and the Commission of the European Communities, are considered, the main objections and difficulties raised in evidence discussed and the major issues examined. The report finds that none of the difficulties is insurmountable and that the case for employee representation at board level is convincing. (The TUC favours worker representation on company boards as a legal right on a 50–50 basis with shareholders. European Community proposals envisage a two-tier system with a management board appointed and monitored by a supervisory board; the supervisory board to contain equal representation of employees, shareholders and a third co-opted group. The CBI, on the other hand, was critical of any compulsory scheme, but favoured a system of 'participation agreements', backed by legislation, in which board-level representation would be one of many options.)

Some of the main implications of board-level representation which need to be considered are set out in the report and include: the need for an adequate substructure of participation below board level; the legal responsibilities of directors; the protection of confidential information gained from board membership; the possible conflict of interest between the traditional collective bargaining role of trade unions and board representation; and the problems of groups and multinational enterprises.

The likely impact of employee representation on boards on the efficiency of companies and on their ability to meet their obligations to investors and consumers is then examined. The report argues that the involvement of employees in decision-making will tend to increase the efficiency of companies and ultimately to make them more profitable. It acknowledges that it is only experience over many years that will vindicate this belief but points out that experience in other European countries suggests that employee representation on the board can have some of the benefits claimed for it.

On the question of legislation for the introduction of employee representation as opposed to arguments for evolution upwards from existing forms of participation below board level, the committee denies that a choice has to be made between either legislation or evolution. 'Indeed representation at board level may be the guarantee and catalyst for effective participation at lower levels.' The main argument in favour of legislation is that it would simultaneously strengthen existing forms of industrial democracy below board level and give employee representatives an effective say in decision-making at the highest levels within a company.

Proposed Mode of Operation

The final four chapters of the majority report describe the way in which the recommended scheme of employee representation would operate.

Proportion of Employee Representatives

The committee examined the question of the proportion of employee representatives that should sit on company boards and favours the equal representation of employees and shareholders; for only thus, in its view, can effective employee representation be secured, and only thus can employees be expected to take on equal responsibility for the conduct of the business.

It proposes that boards should be composed of an equal number of employee and shareholder representatives plus a third group of co-opted directors. The co-opted directors would make up less than one-third of the total board and would be an odd number greater than one. The committee has explained its proposal in terms of the formula '2X + Y' where X stands for employee and shareholder representatives and Y for co-opted directors. The presence on the board of co-opted directors who do not represent distinct interest groups should help the board to reach a consensus and should encourage company policy to be viewed in a wider context.

[1] Parallel studies have been conducted in the nationalised industries.

[2] Information on existing schemes of worker participation in Britain is given in *Worker Participation in Britain: a business study* (Financial Times Ltd, 1974, £20·25, ISBN 0 900671 15 7) and in *Worker Participation in Management in Britain* by R. O. Clarke, D. J. Fatchett and B. C. Roberts (Heinemann, 1972, £2·80, ISBN 0 435 85210 8).

It suggests detailed provisions for reconstituting existing boards on the '2X + Y' formula. In rare cases where co-option cannot be agreed on by the employee and shareholder representatives, the new Industrial Democracy Commission (see below) would in the last resort have power to appoint to the 'Y' seats; in the event of a failure to agree the size and composition of the reconstituted board within six months, statutory 'fail-safe' provisions could be invoked.

It also proposes that the chairman of the board should come from the shareholder representatives, unless the board unanimously agrees otherwise.

It expects that, on average, it would take two to three years from the date on which legislation took effect to the date on which a new '2X + Y' board was fully constituted.

Introduction of Employee Representatives

The committee rejects any universally mandatory requirement for the introduction of employee representatives. It should be left to recognised and independent trade unions (with bargaining rights on behalf of at least 20 per cent of all employees in the company) to make a formal request. There would then be a secret ballot of all employees and, if this showed by a simple majority comprising at least one-third of all eligible employees that they wished to be represented on the board of their company, the process of reconstituting the board would begin. The trade unions in the company would then devise the method of selecting the employee representatives.

Central to the committee's recommendations in this respect is the setting up of a Joint Representation Committee (JRC) on which all independent and recognised trade unions in the company would be represented. The JRC would discuss with existing management the size of the new board and would act as the nominating body for the employee representatives. There are detailed proposals for the resolution of possible disagreements between the JRC and management and between different unions. It is emphasised that until the trade unions agree a joint line on the details of representation the existing board of directors will continue in office. The JRC would also have a wider function of providing the link between board-level representation and existing collective bargaining machinery, thereby helping to reduce any problems of demarcation as between the two functions.

Holding Companies and Multinational Companies

Employee representation on company boards should apply initially to the ultimate holding company of a group which employs 2,000 or more people in Britain, as well as to an individual company which employs 2,000 or more people in Britain whether or not it is part of a group. Special provisions are proposed for groups of companies whereby the holding company would have a residual power to appoint directors to the 'Y' seats on the board of a subsidiary if there was failure to agree on their co-option. This is designed to ensure that employee representation is effective at levels where policy decisions are taken but at the same time to enable the group to function as a centrally-controlled commercial organisation. It is also proposed to alter the definition of a 'subsidiary company' so that, before a company is taken over as a subsidiary of another, its board has to give its agreement.

On the particular problems with respect to multinational companies, whether British or foreign-based, the committee says that, in the case of the former, it would not be possible to legislate at present for the representation at top board level of the group's overseas employees, but this does not justify exemption from the main proposals. In the case of foreign-owned multinationals, special provisions are made regarding the application of the '2X + Y' formula on the board of the top British holding company. In the event of a failure to agree on the co-opted members constituting the 'Y' element, the appointment of the 'Y' element would be made by the Industrial Democracy Commission as in the normal case but, in this case, after consultation with both the parent company and the British Government.

The committee is opposed to exemption for particular sectors such as banking, insurance, shipping, construction, hotels and catering, broadcasting and the press.

Industrial Democracy Commission

The report recommends the setting up of an independent Industrial Democracy Commission which could give advice, conciliation and, in some cases, decisions on arrangements for employee representation on company boards. The commission would work closely with the Advisory, Conciliation and Arbitration Service (ACAS, see pp 211–13, 1976) but would be an independent body with its own tripartite council (representatives of employers, trade unions and others with relevant experience) appointed by the Secretary of State for Trade in consultation with the Secretary of State for Employment (or vice versa).

A substantial training programme, based on the expansion of existing arrangements for trade union and management studies, would be required in order to make the introduction of employee representatives effective; the committee suggests that the Government should directly bear a large part of the extra cost, estimated to be some £3 million over the first three years.

Conclusions

In a concluding chapter, the majority report emphasises that the majority of the committee fully accepts the need for participation below the level of the board and that its proposals – entailing a joint representation committee – demonstrate the importance of this aspect of its recommendations. Nevertheless, the signatories say, the crucial test which alone will carry conviction and create a willingness to share responsibility is an acknowledgment of the right of employee representatives, if they ask for it, to share in the strategic decisions taken by the board.

The report adds that once the law has been altered, management as much as trade unions will see the need to make a success of the new relationship;

it will then, it believes, come to recognise the benefits to be derived from the new arrangements by unions, employees and thus by the nation as a whole.

Changes in Company Law

British company law at present constitutes a legal impediment to extensions to industrial democracy based on employee representation on boards of directors, since it gives shareholders alone the right to appoint directors. The report therefore considers what changes in company law would be necessary for the introduction of such representation, and notes that British company law is flexible about the structures which companies may adopt.

The reconstitution of the board with employee representatives entails changes in its relationship with the shareholders' meeting, though the report claims that in practice the initiative for major changes already comes from the board in almost all cases. In certain areas, it suggests that the exclusive right to convene a shareholders' meeting for the purpose of considering resolutions should belong to the reconstituted board, but that the shareholders' meeting should retain the right to decide whether to pass the resolutions or not. These areas are: winding-up; changes in the memorandum and articles of association; dividends; changes in capital structure; and the disposal of a substantial part of the undertaking.

The report's recommendations would not otherwise entail significant changes in the present powers of shareholders and of senior management; the legal duties and responsibilities of all directors would be the same. The basic duty of directors to act in the best interests of the company would require that they take into account the interests of the company's employees as well as those of its shareholders, present and future.

Employee representatives should report back to their constituents through trade union channels. While considerable concern has been expressed about confidential information, the committee takes the view that employee representatives can understand and respect the confidential nature of information which they obtain as directors, as has been found to happen in Sweden, where serious problems in this matter were feared but did not materialise in practice.

The origins and background of directors and the diversity in the composition and function of boards are also examined, and the present duties of directors in law and practice described.

The committee rejects the introduction of a statutory two-tier board system (as considered in the minority report, for example – see below) and recommends that employee representation should be introduced on reconstituted unitary company boards. It considers that a two-tier system would seek to separate the supervisory and the management functions, whereas in its view such a clear distinction cannot be easily drawn. Furthermore, the supervisory board (on which employees in a two-tier system would be represented) could well find its powers restricted. Unitary boards, however, would still be able to delegate certain functions to lower boards or management committees (as happens at present) – but company law should be more precise than it now is and should spell out areas where the responsibility for decisions must rest with the board of directors.

MINORITY REPORT

A minority report has been prepared by three of the committee's members, those nominated by the Confederation of British Industry.

They favour the prior development of worker participation below board level and suggest that, if employee representation is to be introduced, it should be confined to a minority on a supervisory board (as distinct from the top policy-making board) in a two-tier system. The employee representatives would then be elected from both trade unionists and non-trade unionists.

They consider that these proposals represent the best way of fulfilling the committee's remit – to consider how, but not whether, a radical extension of industrial democracy can best be achieved by the representation of employees on boards of directors.

LORD BULLOCK'S STATEMENT

In a personal statement, Lord Bullock said he did not think anything could better demonstrate the importance of the subject of the inquiry or the widespread interest in it than the remarkable amount of publicity and discussion the report had received before publication. This did not surprise him, for 'in all the European countries (and there are already seven, with others moving towards it) where employees' representatives have been given a place on company boards, the first publication of such proposals have led to similar controversy and to forecasts of disaster from employers. In every case legislation has been necessary to introduce the changes required and in every case, once the changes have been made, the opposition has died away, the fears have proved to be exaggerated and both management and unions have found advantage in the new arrangements.'

Lord Bullock said that he had been struck in the course of the year [1976] by 'the small number who were opposed to industrial democracy in principle or who did not accept – at least in private – that it was bound to come. The questions which concerned them were not whether, but how and when: "the chronology of change" as one employers' representative put it.

'These are important questions on which it is possible to hold different views. The advantage of the majority report is that it provides a coherent attempt to provide a comprehensive and practical set of answers to them. The report starts from the assumption of a mixed economy and it is my firm belief that nothing will do as much to guarantee the continuation and increased efficiency of such a mixed economy as change along the lines we have proposed.'

MR DELL'S STATEMENT

Introducing the report in the House of Commons (*Hansard*, 26.1.77, cols 1493–5), the Secretary of

State for Trade, Mr Edmund Dell, said that the Government proposed to introduce legislation on industrial democracy in the current parliamentary session. Mr Dell added that whereas the committee had greatly advanced the consideration of this complex subject by analysing the issues and clarifying the choices, the proposals of the minority report were not consistent with the Government's commitment to a radical extension of industrial democracy by representation of the workforce on company boards and to the essential role of trade unions in this process, nor with its view – widely shared in Europe – that arrangements for joint decision-making at all levels, including board level, would represent a fundamental change which should make a major contribution to an improvement in labour relations and industrial efficiency.

Before introducing the legislation the Government would consult with the TUC and the CBI on the basis of the recommendations in the majority report in order that as much common ground as possible might be identified. Other organisations would also be able to express their views.

The legislation would also cover companies in which the Government had a shareholding, and the nationalised industries – to which it had been giving separate consideration; it had decided that employees in these industries should also be given the right to representation at board level. The Government was also consulting both unions and management about employee participation in central and local government.

Mr Dell concluded: 'The Government's aim is to see democracy extended from our political to our industrial life. That is an essential ingredient of the Social Contract [see p 328, 1976]. Just as political democracy has been accepted by all our people, so we believe industrial democracy – at all levels from the shop floor to the board itself – will come to be regarded as part of the accepted fabric of our national life and open a new chapter in industrial relations and a continuing improvement in our industrial performance.'

PRIME MINISTER'S STATEMENT

Speaking in Huddersfield, West Yorkshire, on 28 January, the Prime Minister, Mr James Callaghan, re-emphasised the Government's intention to legislate on this matter and said that it could not permit anyone to have a stranglehold or a veto on such legislation being considered. Although there had to be adequate time for consultation 'we cannot allow this to drift on indefinitely. We shall introduce legislative proposals by the summer [of 1977], so I ask that everyone concerned should begin to think seriously. It seems to us that the legislation should provide for flexibility. Indeed, the Bullock committee itself said that, if the parties within each company reach agreement on a solution which suits its particular circumstances, then there is no reason why a rigid pattern should be imposed on such a company. . . .We have a tremendous chance to grasp a new opportunity here that can release a tremendous potential of enterprise and energy at all levels of industry', he said.

Agriculture

ANNUAL REVIEW

The White Paper *Annual Review of Agriculture 1977* (Cmnd 6703, HMSO, £1, ISBN 0 10 167030 3) sets out the data established during the review of the economic condition and prospects of Britain's agriculture. The White Paper provides the information needed both for the formulation of the Government's position in negotiations on the European Community support for 1977–78 and for decisions on national support arrangements.

After noting the disappointing results of the 1976–77 agricultural year, due mainly to the drought and to the large increases in costs, the White Paper states: 'Nonetheless, the industry is basically healthy and, had it not been for the exceptional weather, the level of production could have been expected to show reasonable progress towards the expansion aims described in *Food from Our Own Resources*.[1] The Government considers that the policy of expansion and the priorities set out in *Food from Our Own Resources* are still valid and should continue to guide decisions on agricultural policy. Despite the setbacks suffered this year, the prospects for profitability overall are reasonable and, given normal weather, net product and net income should recover in 1977–78.'

Production

The White Paper notes that the increase in production expected for 1976–77, following the good weather of the 1975–76 winter and the decisions taken by the Government to restore profitability (see pp 171–2, 1976), was not achieved. This was due mainly to the drought which adversely affected crop yields per hectare and milk yields per cow. For example, wheat yield is forecast to be 3·87 tonnes per hectare (1·54 tons per acre), compared with 4·34 tonnes per hectare the year before, and milk yield, 4,204 litres (925 gallons) per cow compared with 4,304 litres per cow. For the second year running, net product (that is, the value added to the goods and services purchased from outside the agricultural sector) at constant prices is forecast to fall, with the index showing a drop of about 10 per cent (see Table 1). The effect of the weather on output is also reflected in the index of labour productivity.

Costs

Cost increases since the last review are assessed at £895 million. The cost of feedingstuffs is estimated to rise by £460 million, machinery by £151 million, seeds by £72 million and labour by £60 million.

Income

Increased prices of agricultural products mean that net product *at current prices* is forecast to rise, and farming net income (that is, net product *less* labour [other than farmers' and their wives'], rent and interest) is expected to increase by about 4·5 per cent at current prices. However, after allowing for inflation, a substantial fall of 9 per cent in net income in real terms is forecast.

[1] See pp 211–12, 1975.

Table 1

Agricultural Net Income, Net Product and Labour Productivity
(all commercially significant holdings)

June–May years

Year	Net income at current prices £ million		Net product at constant prices Index	Labour productivity Index
	Actual	3-year moving average	1968-69 – 1971-72 = 100	1968-69 – 1971-72 = 100
1972-73	972	968	112	118
1973-74	1,225	1,169	118	126
1974-75	1,310	1,404	120	133
1975-76	1,676 (1,600*)	1,579	108	123
1976-77 (forecast)	1,751 (1,805*)	..	97	114

*Adjusted to normal weather conditions

Table 2

Gross Capital Formation

£ million

Year	Plant, machinery and vehicles	Buildings and works	Increase in valuation of work-in-progress and stocks	Total
1972	192	159	284	635
1973	231	209	379	819
1974	308	252	410	970
1975	379	243	443	1,065
1976 (provisional)	448	231	497	1,176

Investment

New investment in physical assets (gross capital formation) in 1976 is estimated at £1,176 million (see Table 2). Retained earnings are a principal source of investment for the industry, and the reduced net income in real terms (see above) is associated with a decrease in the volume (as opposed to the money value) of new investment. Thus, in volume terms, new investment in 1976 in plant, machinery and vehicles is expected to be between 2 and 3 per cent lower than in 1975, and that in buildings and works some 19 per cent lower, while the physical level of stocks and work-in-progress is also expected to be lower during 1976 than a year earlier.

Public Expenditure

The estimated expenditure on the Government's price guarantees, grants and subsidies (excluding food subsidies and payments in connection with animal health) in 1976–77 is about £201 million, as in the previous year.[1] Expenditure in Britain under the common agricultural policy of the European Community is estimated to fall by some £181 million to about £130 million. The reduction is due mainly to the monetary compensatory amounts on imports from the Community countries (except Italy) being paid to exporters instead of importers since May 1976 (see p 238, 1976). In addition, higher market prices for beef will result in lower total payments under the beef premium scheme (see p 170, 1976) in 1976–77 than in the previous year.

[1]The actual expenditure in 1975–76 was lower than the estimate given on p 172, 1976.

Research and Development Statistics

The latest estimates of resources devoted to research and development in Britain – both expenditure and employment – are given in a Central Statistical Office (CSO) publication[1] which appeared at the end of December 1976. This volume presents data which have become available or been revised since the publication in 1973 of a similar CSO study,[2] which itself had derived from previous documents dating back to 1967 (see p 70, 1967 and p 979, 1970).

The present volume covers the whole economy for the years 1969–70 and 1972–73 and figures for central Government spending for the years 1970–71 and 1975–76 inclusive.

[1]*Studies in Official Statistics*, No. 27, *Research and Development: Expenditure and Employment*, HMSO, £2. ISBN 0 11 630139 2.

[2]*Studies in Official Statistics*, No. 21. *Research and Development Expenditure*. HMSO, £1·55. ISBN 0 11 630116 3.

General Trends

The total amounts spent on research and development in Britain (excluding the social sciences) have risen from £899 million in 1966–67 to £1,045 million in 1969–70 and £1,310 million in 1972–73, the latest year for which complete estimates are available. The CSO points out that this has also been a time of rapidly rising prices but that as 'no appropriate means is available for expressing comparative amounts spent after taking account of price changes' it is practicable to compare year by year the proportionate extent to which spending on research and development has contributed to the total claims made on national resources – the gross domestic product at factor cost.

One table in the text (not reproduced here) shows that total amounts spent on research and development as a proportion of all claims on national resources fell by 5 per cent between 1966–67 and 1969–70 and by a further 5 per cent between then and 1972–73. During the same periods the national product in real terms rose by 8 per cent and 7 per cent. This 'rather crude appraisal', as the CSO calls it, indicates a steady rise in the volume of resources devoted to research and development of just under 1 per cent a year. The proportionate share of spending on research and development for defence purposes fell by about 20 per cent over the whole period (1966–67 to 1972–73) compared with a fall of 6 per cent in spending for civil purposes for the whole economy and a rise of 4 per cent in Government spending on civil research and development. Research and development for civil purposes financed by non-Government sources fell by 12 per cent over the period. It is also clear from the table that Government funding of research and development for defence and civil purposes in total remained a fairly constant proportion throughout the period at a little under 50 per cent.

Total net Government expenditure on research and development rose, according to another table, from £776·6 million in 1972–73 to an estimated £1,192·6 million in 1975–76, of which £21·3 million was in respect of the social sciences. In 1972–73 private industry spent £739·2 million.

Employment

A new feature in the current volume is statistics of employment on research and development in central Government and in industry. The total for central Government was 76,697 in 1975, of which 18,179 represented scientists and engineers and 14,908 technicians. In private industry the total for 1972 (the latest available) was 163,000 (some 60,000 scientists and engineers and 64,000 technicians), the main product groups being electronics and telecommunications; coal, petroleum, chemical and allied products; and aerospace.

Overseas Technological Royalties

Annual surveys have been made into the overseas transactions relating to royalties, licences, patents, manufacturing rights and similar arrangements since 1964. In 1974 transactions with all overseas concerns (excluding oil companies) resulted in receipts of £198·7 million compared with expenditure of £176·7 million or a positive balance of £22·9 million.[1] There was a positive balance of £13·65 million with the European Community, one of £3·43 million with Canada and one of £16·18 million with Japan, but a negative one of £81·31 million with the United States.

As regards type of industry, while mechanical and electrical engineering had negative balances, chemicals had a positive balance of £17·26 million and other manufacturing industries a positive balance of £2·87 million.

[1]The director of the Department of Science Policy in the European Commission, Signor Manfredo Macioti, stated in a paper read to an international symposium at La Hulpe near Brussels in December 1976 that the United Kingdom had been balancing its books on technological trade for many years. In comparison, France had a 60 per cent and the Federal Republic of Germany a 40 per cent ratio of receipts to payments, while Japan's balance of trade in technology had been improving but in 1975 revenue still amounted to only 22·6 per cent of outgoings. In the United States receipts regularly exceeded payments over the years by a factor of about 10. (Reported in *The Times*, 13.12.76, p 20.)

SOCIAL AND CULTURAL AFFAIRS

National Health Service

VALUE FOR MONEY

Better value for money in the National Health Service (NHS) was the theme of a speech given to the London School of Hygiene and Tropical Medicine on 28 January by Mr David Ennals, Secretary of State for Social Services.

Mr Ennals began by pointing out that there had been a real increase in health expenditure of about 20 per cent over the last five years. The NHS was better equipped and better staffed than ever before. Giving a warning about the effects of the current economic climate, the minister said that previous planned rates of growth in the service had to be reduced. Although there would still be a small annual growth of 1·5 per cent, this would do little more than provide for the increasing number of elderly people, leaving a small margin for improvements in treatment measures. The amount available for expenditure on health and social services depended upon the growth of a vital industrial base; the top priorities for the next few years were to invest more in industry, produce more goods at competitive prices and sell them abroad. The health sector could contribute to this by increasing exports of medical goods and equipment (see below).

Prevention

Drawing attention to the importance of programmes designed to prevent illness and recalling the Government's consultative document on prevention and health (see pp 179–80, 1976), the minister stressed the need to give a new emphasis to every type of health education, for example, discouragement of cigarette smoking. Immunisation remained a critically important preventive measure. Another was the NHS family planning service used by 3·5 million women and costing about £40 million; only some 12,000 births needed to be saved to make the service pay for itself (using an estimated discounted cost of £3,400 to the public sector of any birth). The number of pregnancies outside marriage was dropping, the greatest fall occurring in 1975 when the new family planning services really got off the ground. The abortion rate, too, was declining.

Clinical Services

Efficiency in clinical services could also bring about savings – for example, by:

1 Intensifying the use of acute hospital beds (for surgery, gynaecology and child birth) in the London area where length of stay for some operations was higher than in some other parts of the country.

2 Shortening lengths of stay in hospital without endangering standards of care or placing impossible loads on patients' relatives.

3 Ensuring that qualified manpower was not used for tasks that could be carried out by someone else.

4 Encouraging hospital consultants to make economies by informing them of the costs they generate and by breaking down costs into particular elements.

5 Making savings in drug costs even though the cost of drugs per head of the population was lower than in any other country in the European Community. Representatives of the medical profession had agreed to discuss ways of helping doctors to prescribe effectively and efficiently. Further savings were being made by limiting the promotional costs of pharmaceutical companies.

Capital Expenditure

Although capital expenditure had been cut by postponing the starts of a significant number of construction projects, work would start on building the first 'nucleus' hospital next year. The Secretary of State described a nucleus hospital as a unit of 300 beds with an intensive use of space, provision for day treatment wherever possible, and the maximum use of sophisticated facilities. The initial nucleus of 300 beds could be used either as the first stage of a new hospital or as an extension of an old one. It would cost about the same as a conventional hospital but would be better value for money in all senses.

Supplies

Pointing out that the purchasing of equipment and supplies for the NHS amounted to over £500 million a year, Mr Ennals outlined action being taken to save costs. The medical and nursing professions were agreed on the need to improve the planning of purchasing and the evaluation of equipment. Four centres were being chosen to evaluate equipment with the aim of publishing a list of up to six models of each type of equipment considered most suitable for NHS use. More information would provide greater opportunities to get value for money. Mr Ennals added that 'we must also satisfy the industry that evaluation can be done fairly and we

are discussing with firms how a more clearly defined market and a firm base in the home market can help them to expand their export markets'.

Management Costs

Concluding his speech, the Secretary of State emphasised the necessity to squeeze management costs, as they had increased considerably over the past few years. Agreement had been reached with regional health authorities to reduce such costs by 5 per cent and it was planned, subject to discussions with staff interests, to reduce by 10 per cent health staff at the headquarters of the Department of Health and Social Security.

HEALTH EXPORTS

In a speech delivered to the British Health-Care Export Council on 10 January, Mr Ennals stressed the urgent need for Britain to maintain its share of health care equipment and pharmaceuticals exports. There would be maximum support from the Government. In 1975 the export of medical equipment had reached a figure of £127 million, an increase of 55 per cent over 1974, but in 1976 the rate of expansion had slowed down. In a circular issued in December 1976, health authorities had been asked to help in three ways – by becoming export conscious; by making it possible for NHS staff to fill short-term posts overseas in support of the export effort; and by responding helpfully to requests made to train overseas students. The circular made it clear that the full cost should be charged for any additional NHS facilities provided and that the export drive should not be at the expense of services for patients in British hospitals.

RESOURCE ALLOCATION

In a statement issued on 21 December 1976 following the Chancellor of the Exchequer's economic measures (see pp 22–6), Mr Ennals outlined the criteria for allocating funds to the NHS in 1977–78. Resources had to be more fairly shared both between regions and within them. In seeking a fairer distribution he said, 'I am equally determined not to destroy the quality of excellence in the NHS, the opportunities for new discovery, or the tradition of medical education of which we are rightly proud'. However, it was not possible to require, 'a rapid and mechanical equalisation of resources over say four or five years'. If the present low rate of growth continued indefinitely it could not be achieved in less than ten years. When allocating resources the broad principles of the Resource Allocation Working Party would be followed (see p 410, 1976).

In 1977–78 the most deprived regions will have a real increase in funds of about 3 per cent and the richer regions (mainly in the London area) 0·25 per cent. Mr Ennals emphasised that it was nonsense to imagine that 'any of our famous teaching hospitals is in danger. These hospitals are doing the vital job of training the doctors and consultants of the future.'

INFANT MORTALITY

The most substantial decrease in infant mortality for over 20 years occurred in 1976 in England and Wales, according to provisional figures released by the Office of Population Censuses and Surveys on 19 January. It dropped from 15·7 deaths per 1,000 live births in 1975 to 13·9 in 1976. The decrease equals the combined fall of the previous four years.

The biggest reduction for almost 30 years took place in perinatal mortality (still births and deaths in the first week of life), the rate declining from 19·3 per 1,000 live and still births in 1975 to 17·5 in 1976.

COURT COMMITTEE REPORT

A comprehensive reorganisation of the child health services is recommended by the report[1] of a Government committee set up in 1973, under the chairmanship of Emeritus Professor S. D. M. Court, to review the provision made in England and Wales for health services for children.

Integrated Service

The report accepts the traditional pattern of British health services under which 'first line' care is the responsibility of family doctors, home nurses and health visitors with support from hospital and specialist services. It does, however, propose that the various branches of the child health service (the family doctor treatment service, the health surveillance of pre-school children, the school health service, and the hospital service) should be integrated.

Such a reform, says the report, follows from changes in the pattern of illnesses suffered by children. Many infectious diseases of the past, such as diphtheria, have been virtually eliminated in Britain or are under firm control (see p 179, 1976). The main child health problems today tend to be foetal and perinatal disorders, malformation, chronic illness, handicap, psychiatric disorder and ill-health arising from family stress and breakdown. The committee argues that this changing pattern of illness requires a closer relationship between parents and professional staff in order that parents are better able to care for their children.

Parents can be confused, and the professionals divided, by the current arrangement under which the family doctor treatment services are largely separated from the health surveillance of children carried out in child health clinics and the school health service. The report therefore recommends that both functions should become the responsibility of a family doctor specialising in child health and known as a general practitioner paediatrician (GPP).

The GPP, who would form part of a group practice of several family doctors, would spend most of his or her time looking after the children registered with the practice. Responsibilities would include health surveillance and prevention, initial investigation and care of handicapped children, acting as school doctor to a school or schools in the practice area and providing a link with the hospital service.

To assist the GPP there would be a child health visitor responsible for children and advising parents

[1] *Fit for the Future: Report of the Committee on Child Health Services.* Volume 1. Cmnd 6684. HMSO, £6·50. ISBN 0 10 166840 6. Volume 2 (Statistics). Cmnd 6684–I. HMSO, £4. ISBN 0 10 166841 4.

registered with the GPP. He or she would also ensure that all children in an area were known to, and as far as possible registered with, a family doctor. In turn he or she would be assisted by nurses specialising in child care and would work with paediatric-trained school nurses.

The committee proposes that, as part of an integrated service, a new post of consultant community paediatrician should be created as the specialist counterpart of the GPP. There would be one in each health district (the lowest organisational tier of the National Health Service – there are 207 districts in England); he or she would have special skills in developmental, social and educational paediatrics, and would be responsible for supporting the GPP in this aspect of his or her work. Although the consultant community paediatrician would also be engaged in traditional hospital paediatric work, much of his or her time would be occupied outside the hospital in work with handicapped children and with medical work in ordinary schools and the special schools for handicapped pupils.

School Health Service

An essential part of an integrated child health service is the school health service. The committee says that the GPP should be the school doctor to schools in the vicinity of his or her practice, assisted by a school nurse with training in educational medicine and nursing. Among their functions would be the organisation of health surveillance of pupils and, where necessary, immunisation. In addition the GPP and the school nurse would acquaint teachers, psychologists and parents of any condition likely to affect a child's educational progress; provide and ensure treatment for children needing it; and concern themselves with the school's environmental health by preventing or controlling any outbreak of infectious disease.

Health Surveillance

The committee endorses the importance of prevention, and sets out a suggested pattern of health surveillance. During pre-school years there would be a post-natal examination (at 6–10 days after birth) carried out by a doctor trained in neonatal paediatrics; this would be followed at six weeks by another examination at a clinic. The child health visitor would review developments at 7–8 months and at 18 months. At 2½–3 years another review would take place accompanied by vision testing and a dental inspection.

At school entry there would be a review of health and development and a dental examination. A hearing test would take place twice before the age of 11 or 12. Up to the age of 13–14 years there would be an annual health care interview with a school nurse and a vision test, measurement of height and weight, and a dental examination. A private interview would be organised at about 13 years with the school doctor; this would form part of the school's counselling services and programme of social education.

The report recommends that the school doctor should have the right to examine a child without parental consent, if the head teacher thinks that there are reasonable grounds for concern about the child's health (for example, in cases of non-accidental injury).

Dental Care

Turning to the subject of dental health, the committee comments that dental decay is the most prevalent disease in British society, children being more susceptible than adults. The report argues that decay is a preventable disease and it unequivocably supports the national fluoridation of the water supply. Other preventive measures should include the dental health education of children throughout their school life and of expectant mothers and those with children of pre-school age.

In its discussion of treatment, the committee says that the school and priority dental service should be strengthened and that efforts should be made to attract dentists to areas where general dental services are inadequate. The school dental service would continue to complement the general dental services by providing for priority groups whose needs cannot be met by the latter.

The report recognises that there would be advantages in having one dentist providing both preventive care and treatment in a group practice for all children in a particular area. Given the fact that this kind of service cannot be widely introduced at the present time, because of manpower shortages and other difficulties, the committee suggests that an experiment should be set up to examine and evaluate such a service.

Specialist dental service would be strengthened by appointing at least one consultant in paediatric dentistry per health region (there are 14 health regions in England). In addition the report recommends considerable expansion in the number of dental auxiliaries. They work almost exclusively with children by carrying out simple fillings and extractions and by taking part in dental health education/prevention programmes.

Handicapped Children

Children in most need of health care are those with chronic diseases and handicaps. The committee says that under the proposed integrated child health service the GPP and his team would provide the main contribution towards diagnosis, assessment and treatment. Their work, however, would be complemented by a district handicap team established in each health district and based on the district general hospital. The handicap team would provide a special diagnostic assessment and treatment service for children with all kinds of handicap including the severely mentally retarded. The basic staff of the team would consist of the consultant community paediatrician, a nursing officer or child health visitor trained in the nursing care of handicapped children, a social worker, a psychologist and a teacher. In this way the medical, social work, and education services could be drawn together. Parents would have the right of direct access to the district handicap team and others concerned with the treatment of their child.

The report recommends that regional handicap teams should be established in paediatric departments of university teaching hospitals under the direction of a consultant paediatrician with special experience of handicapped children.

Psychiatric Services

Under the present system the psychiatric services for children are fragmented, the child guidance services (largely educational) having developed separately from the hospital child psychiatric services. The organisation, training and career structure of educational psychologists remains separate from that of clinical child psychologists.

The committee recommends that the distinction between the two should be dropped and that they should both form part of a single integrated child psychiatric service. Its report argues that all child psychiatric clinics need to work with schools and social services, with hospital and community paediatric facilities, and with adult psychiatric services. It therefore suggests that clinics should be developed on the basis of an interdisciplinary team providing a co-ordinated service to patients.

Children's Rights

The committee is worried about the fact that services do not reach all children as a minority of parents do not always make use of them. It notes with concern the variation in take-up of services and says that a good child health service must accept a responsibility for taking its service to the minority who need help but have difficulty in obtaining it. The report argues that child health visitors should be responsible for a clearly defined area where all children are known to them. Children's rights to medical services should be strengthened by making the school entry medical examination compulsory and by making provision for a legally enforceable medical examination of a child in certain special circumstances where there are grounds for concern about his or her health or well-being.

Among other questions examined by the report is that of a national body charged with looking after the interests of children. It rejects the idea of a new national organisation but does suggest the establishment of a joint advisory committee for children. This would be a joint committee of the Central Health Services Council and the Personal Social Services Council which advise the Secretary of State for Social Services; there would be additional representation from the education service. The main functions of the joint committee would be to review regularly the needs of children and the services provided to meet them; to co-ordinate existing bodies; and to disseminate advice, recommendations and research results.

Government Response

In a statement to the House of Commons on 16 December 1976 (*Hansard*, written answers, cols 819–20), the Secretary of State for Social Services, Mr David Ennals, said that wide discussions on the committee's recommendations were required before decisions were taken on the principles involved. He pointed out that the implementation of many of the recommendations would require more money, a fact recognised by the committee; because of restraints on public expenditure, they had to be seen as long-term objectives which, if accepted in principle, had to be achieved over a long period as the economic recovery of the nation proceeded. After drawing attention to the 1976 consultative document on health and social services (see pp 179–80, 1976) which suggested that services for children were among those needing priority, the Secretary of State concluded by saying that the Government was inviting interested organisations and individuals to make early comments on the report. Both the report's recommendations and views on them would be taken into account when preparing plans for the future development of the health service.

The British Council

ANNUAL REPORT

In 1975–76 the British Council spent some £36 million in promoting knowledge of Britain and the English language overseas and in developing cultural relations with other countries. Of this, about £32·7 million was financed by Government grants and the remainder from British Council earnings and donations. In addition, the council administered the expenditure – mainly on behalf of the Ministry of Overseas Development (ODM) – of some £21·1 million on educational aid to developing countries. Details of the council's operations financed by these funds are contained in its annual report[1] published in January 1977.

Educational Work in 1975–76

The report stated that at the end of March 1976 some 756 teachers recruited or seconded by the council were serving in universities, training colleges or schools, or in advisory posts with ministries of education in some 85 countries. The council also acted as the overseas administrative agency for about 820 volunteers serving in 22 developing countries under the British Volunteer Programme; and sponsored some 1,270 tours and cultural and academic exchanges of specialists in a wide range of subjects. Overseas students and visitors to Britain assisted by the council during the year numbered some 28,770; of these 20,720 came to Britain under the council's own schemes.

About two-thirds (505) of council-recruited or seconded teachers overseas at the end of 1975 were engaged in the teaching of English. In the recruitment of such personnel, the report recorded, two developments had been particularly noteworthy: the increased interest in the development of English in Francophone countries of Africa and the greater emphasis being placed on English for specific purposes reflected in the growing number of key posts appointed and requested, notably in South-East Asia and in the Middle East. The report also drew attention to the English language projects at King Abdul Aziz University in Jedda and King Faisal University in Damman, which were consolidated and extended for another year. These projects, which are fully funded, under contract, by the Saudi Arabian authorities, were designed by

[1] *The British Council 1975–76*. HMSO, 50p. ISBN 0 900229 25 X.

the council and are directed by council officers. They employ more than 40 British teaching and specialist staff providing communication skills programmes in English for students of medicine, agriculture, engineering and architecture. Feasibility studies for other English language teaching projects, the report added, were undertaken during the year in Algeria and Iran.

There were 20 posts financed under the Aid for Commonwealth English (ACE) scheme in operation at the end of March 1976, of which 14 were in Africa. Under the complementary English as a Foreign Language (EFL) scheme, which operates in non-Commonwealth countries, 10 posts were in existence – in Ethiopia, Iraq, Jordan, Lebanon, Senegal, Singapore, Thailand (2), Brazil and Colombia. During the year, the report noted, these and other English language teaching schemes were reviewed with a view to developing teaching programmes in individual countries more systematically. Projects under the similar Aid to Commonwealth Teaching of Science (ACTS) scheme, financed by the ODM (as also are the ACE and EFL schemes), numbered 20 at the end of March 1976, of which 13 were in Africa.

A developing council responsibility is the provision of assistance and advice in the use of educational aids, and during the year courses, attended by 74 educational technology specialists from 31 developing countries, were held in London covering the use of radio and television for language teaching, resources in higher education and all aspects of schools broadcasting. Training was also carried out overseas, with the council playing a major role in educational broadcasting courses in Pakistan, Malaysia, Nigeria, Brazil, Kenya, India and Zambia. To assist such work a series of radio training kits were produced specially aimed at problems in developing countries.

Libraries and Books

The council runs some 130 libraries overseas and is associated closely with more than 40 others. During the year some 179,000 books were supplied to these libraries, which lent more than 6·5 million volumes to over 382,000 readers. In addition, some 73,000 books were presented to other institutions such as universities, colleges and schools. At present, there are over 2 million books in council libraries and about 285,000 in those with which the council is associated. In many countries, the report stated, the council libraries not only lend directly to individuals, but are accepted as an integral part of the country's library services and their holdings are available for inter-lending through the national system. Overseas interest in British library organisation continued at a high level, and during the year some 165 senior librarians from 52 countries came to Britain under council auspices to study various aspects of the British system. At the same time, some 75 British experts went overseas to lecture on library and information science developments in 42 countries.

In addition to its own work, the council acts as the agent of the ODM in administering three schemes under the ODM's Expanded Books Aid Programme. These are the Books Presentation Programme, under which some £640,000 of books and periodicals were supplied to 1,038 institutions in developing countries during the year; the Library Development Scheme under which assistance was given to 27 countries in the form of books, buildings, equipment, mobile libraries, training courses (both in Britain and overseas) and advisory visits; and the Low-Priced Books Scheme. This last provides textbooks for sale to students overseas at between one-third and one-half of the full cost, and in 1975–76 nearly 2·9 million copies were produced and some 2·3 million sold. The number of titles in print at the end of the year was 446.

Book and periodical exhibitions organised by the council in 1975–76 numbered 274. At these exhibitions, nearly a third of which were held in Europe, some 100,000 books were displayed. Exhibitions concerned with the teaching of English were arranged in 26 countries, while other exhibitions covered a wide range of topics, including children's books, environmental planning, teacher education, librarianship, medicine and books for school libraries.

The Arts

During the year the council sponsored 30 drama and ballet tours and supported 62 music and opera tours. In the visual arts the council was associated with some 30 exhibitions of paintings, sculptures and other works of art, displayed in over 50 galleries overseas. In addition, 22 documentary, photographic and poster exhibitions toured 39 countries during the year.

DOCUMENTATION

(Documentation excludes publications referred to in Survey articles)

Government and Administration

United Kingdom Government Ministers. COI, SN5657/77/1.

External Affairs and Defence

Defence. COI, FSB/B7.

Economic and Scientific Affairs

Balance of Payments. In 1976 the current account deficit is estimated to have been £1,526 million, compared with £1,656 million in 1975 and £3,323 million in 1974. The improvement was due to a substantial increase in the surplus on invisible transactions in areas such as banking and insurance, the total surplus on invisibles in 1976 having risen to £2,085 million from £1,548 million in 1975. The deficit on visible trade was £3,611 million (£3,204 million in 1975). Exports were valued at £24,433 million, 30 per cent higher than in 1975, while imports, at £28,044 million, rose in value by 28 per cent. The terms of trade index fell by 1 per cent in 1976 as the export unit value index rose by 21 per cent compared with a rise of 23 per cent in the import unit value index. Both export and import volumes rose in 1976 from the depressed levels of 1975, increasing by 8·5 per cent and 7 per cent respectively. Central Statistical Office and Department of Trade press notice, 17.1.77.

Minimum Lending Rate (MLR). The Bank of England's MLR rose to 15 per cent on 7 October 1976, and fell to 14·75 per cent on 19 November 1976 and 14·5 per cent on 17 December 1976. *Economic Progress Report,* Nos 81 and 82. Prepared by the Information Division of the Treasury. Available from the Circulation Section (H), Central Office of Information.

The Bank of England. Seventh report from the House of Commons Select Committee on Nationalised Industries, session 1975–76. HMSO, £3·60. ISBN 0 10 009336 1.

International Monetary Fund. Proposals for increasing the resources of the International Monetary Fund. See pp 428–32, 1976. Cmnd 6704. HMSO, 35p. ISBN 0 10 167040 0.

International Monetary Fund. The second amendment to the Articles of Agreement of the International Monetary Fund. See pp 71–2 and 428–32, 1976. Cmnd 6705. HMSO, £1·35. ISBN 0 10 167050 8.

Export Finance. The Secretary of State for Trade, Mr Edmund Dell, has announced a series of measures to facilitate a switch from sterling to foreign currency financing of exports (see p 472, 1976). Mr Dell said that the Export Credits Guarantee Department (ECGD) would in future underwrite larger project cases only where these are financed in foreign currency. Foreign currency financing would also normally be required for all project business with certain countries and would be actively sought in a number of others. Sterling finance guaranteed by ECGD would no longer be available for contracts requiring support for their non-British elements, and general purpose sterling lines of credit would not be established or renewed unless previous lines had been used fully and rapidly. To assist in this process, interest rates for foreign currency buyer credits would be held to the minimum levels established under the international guidelines announced on 15 June 1976 (see p 300, 1976), and the extra premium charged to exporters utilising ECGD cover for contracts in foreign currencies for buyer credit business would be spread over all such ECGD business, sterling and foreign currency alike. Moreover, under ECGD's cost escalation cover (see p 130, 1975 and p 44, 1976), eligible foreign currency credit contracts would in future enjoy the more favourable terms hitherto applicable to cash contracts only. *Hansard,* 1.2.77, written answers, cols 172–3.

Export Growth. The Department of Trade's fifth survey into short-term export prospects among Britain's major exporting companies shows that they expect volume growth of 6–8 per cent in the first half of 1977 compared with a year earlier, and see a volume growth of 12 per cent in the second half of 1976 compared with the same period in 1975. Taking volume and price movements together, the value of their exports is expected to be some 25 per cent higher in the first half of 1977 compared with the first half of 1976. *Trade and Industry,* 28.1.77.

Limits on Work Permits in 1977. A reduction from 6,000 to 2,000 in the number of work permits available in 1977 for overseas workers in the hotel and catering industry in Britain was announced in the House of Commons by Mr John Grant, Parliamentary Under-Secretary of State at the Department of Employment. Mr Grant said that the demand for overseas labour in the industry had been considerably reduced, and the reduction would provide every possible opportunity for work to be made available to workers in Britain, especially where those opportunities involved only a comparatively short period of training, which was well within the compass of the industry. Mr Grant also said that the quota for resident domestic workers and nursing auxiliaries (which covers workers in private households, hospitals, schools and similar institutions) in 1977 had been cut from 2,500 to 1,500; while the quotas for workers from Malta and the Dependent Territories, and for British passport holders, would remain unchanged. *Hansard*, 10.1.77, written answers, cols 368–71.

Engineering craftsmen: shortages and related problems. A report by the Manpower Services Commission (MSC)/National Economic Development Office (NEDO) Committee on the Supply and Utilisation of Skilled Engineering Manpower. Available from the NEDO Bookshop, 1 Steel House, Tothill Street, London SW1H 9LJ. £1·10. ISBN 0 7292 0175 9.

Training in 1976. A record 120,000 people were trained by the Training Services Agency (see pp 226–31, 1974) in 1976, almost 30,000 more than in 1975, Mr Richard O'Brien, chairman of the Manpower Services Commission, announced on 10 January. Of this provisional total, the final count was expected to show a figure approaching 90,000 who completed courses under the Training Opportunities Scheme (TOPS) (on which about £170 million was spent in 1976), an increase of some 50 per cent over 1975 and even exceeding the target for 1977 by nearly 10,000. Mr O'Brien said that in addition, over 30,000 people had been given training by the agency through its direct training services to firms, including 1,680 who had benefited from training in international trade procedures. Results of a survey in October 1976 of TOPS trainees who had completed their training that summer showed that almost 70 per cent of them had found employment within three months of completing their training; the proportion for those trained in Skillcentres was even higher. MSC press notice, 10.1.77.

Health and Safety Commission (HSC). The HSC has set up two new broadly-based advisory committees, one on dangerous substances and one on toxic substances, as part of a new general structure of advisory committees being established to tap more effectively all the expertise available for the HSC's task of raising standards of health and safety at work. (One of these committees, the Medical Advisory Committee, was set up in December 1976; there will also be 18 industry-based committees of which the first, the Agriculture Industry Advisory Committee, was set up in October 1976.) HSC press notice, 27.1.77.

Health and Safety Research 1975. An account of the Health and Safety Executive's research, testing and laboratory services incorporating the annual report of the Safety in Mines Research Establishment. Health and Safety Executive. HMSO, £1·75. ISBN 0 11 881110 X.

Safety Representatives and Safety Committees. The Minister of State for Employment, Mr Harold Walker, has announced that the Government has approved proposals for regulations on safety representatives and safety committees (see p 43); they will come into force on 1 October 1978. *Hansard*, 1.2.77, written answers, cols 152–3.

The Distribution of Household Income in the United Kingdom 1957–72, by P. Roberti. No 30 in the Central Statistical Office's studies in official statistics. HMSO, £1·15. ISBN 0 11 630160 0.

Board of Inland Revenue. Estimated Wealth of Individuals in Great Britain 1974. Available from Inland Revenue Department, Somerset House, London WC2R 1LB. 20p.

Price Commission. Report for the period 1 September to 30 November 1976. HMSO, £1·65. ISBN 0 10 209577 9.

Nationalised Industries Overseas Group. The chairmen of the nationalised industries, who in 1976 set up the Nationalised Industries Chairmen's Group (see p 169, 1976), have formed an overseas sales group to promote collaboration between the British nationalised industries themselves and also between them and their customers and suppliers of plant, equipment and consultancy services. The group's object is to increase Britain's overseas earnings with particular reference to direct exports, overseas consultancy and project management, turnkey projects, and the scope for standardisation of plant orders placed with British manufacturers, to help their exports. *Trade and Industry*, 14.1.77.

A Study of UK Nationalised Industries. National Economic Development Office (see p 29): Background Paper 5: Price Behaviour. ISBN 0 7292 0173 2. £1·50. Background Paper 6: Relationships with other sectors of the economy: the evidence of input-output analysis. ISBN 0 7292 0171 6. £1·50. Background Paper 7: Exports and Imports. ISBN 0 7292 0172 4. 75p.

Non-ferrous Foundries Aid Scheme. A scheme of selective assistance, under which £20 million will be available, has been announced by the Government. The main objectives are to encourage and assist new investment in plant, equipment and buildings and to improve the industry's structure, working conditions and general operating environment. Department of Industry press notice 20, 24.1.77.

Electronic Components Aid Scheme. The Government has announced a scheme to encourage UK-based firms manufacturing radio and electronic components to undertake projects intended to improve their efficiency and competitiveness. It will promote the design, development and production launching of new products and production technologies, the restructuring of a company or group of companies and independent studies of the industry by consultants. In the first instance, £20 million will be provided, which may be increased if the industry's response warrants it. Department of Industry press notice 21, 24.1.77.

Machine Tools. The Employees' View of the Industry. The major conclusion of this report, which is based mainly on interviews with employees in seven machine tool companies, is that there is a strong sense of goodwill on the part of employees towards the industry which they want to see grow and prosper in the future. National Economic Development Office. £1·30. ISBN 0 7292 0778 3.

Construction Exports Advisory Board. The Minister for Housing and Construction, Mr Reg Freeson, outlined in the House of Commons on 27 January the main points made in the first annual report of the Construction Exports Advisory Board (see p 365, 1975). The board says that it has brought to the attention of diplomatic posts abroad the need for information about export opportunities to be notified quickly and to be more closely related to the special requirements of construction exporters. The board has also sought to expand facilities for bonding and protection against contingent liabilities; change tax laws which might be inhibiting successful construction exporting; determine the conditions under which it might be required to advise on the selection of firms to pursue particular construction projects overseas; and establish separate focal points for branches of the industry where export problems could be co-ordinated. *Hansard,* 27.1.77, written answers, col 695.

Eggs Authority Annual Report and Accounts for 1975/76. Report by the authority which has the general duty of improving the marketing of eggs. Eggs Authority, 50p. Obtainable from the Authority, Union House, Eridge Road, Tunbridge Wells, Kent, TV4 8HF.

Britain's Fisheries in the European Community. COI, Factel No 669.

Railway Accidents: Report to the Secretary of State for Transport on the Safety Record of the Railways in Great Britain during the year 1975. HMSO, £1·35. ISBN 0 11 550414 1.

Agreement between the Government of the United Kingdom. . . and [Poland] on International Road Transport. Cmnd 6700. HMSO, 25p. ISBN 0 10 167000 1.

National Water Council. 'We Didn't Wait for the Rain.' December 1976. HMSO, £1·50. ISBN 0 904561 18 6.

Institute of Geological Sciences: Annual Report for 1975. Available from HMSO, £3·60. ISBN 0 85272 057 2.

Ministry of Overseas Development. Report on Research and Development. 1976. HMSO, £1·60. ISBN 0 11 580206 1.

First Report from the Select Committee on Overseas Development, Session 1976–77. The Joint Funding Scheme. The report contains recommendations concerning the operation of the scheme, introduced in April 1975, whereby the Ministry of Overseas Development provides official funds on a £ for £ basis to support development projects undertaken by voluntary agencies. HMSO, £1·10. ISBN 0 10 009806 4.

United Nations Conference on Trade and Development. Report of the conference on its fourth session, Nairobi, 5 to 31 May 1976. Cmnd 6708. HMSO, £2·35. ISBN 0 10 167080 X.

Technical Education and Training Organisation for Overseas Countries, Annual Report 1975–76. TETOC, 35–37 Grosvenor Gardens, London SW1W 0BS.

Social and Cultural Affairs

Residence in Britain. Notes for the Guidance of Persons from Overseas. COI, R5589.

Local Authority Vital Statistics 1974. Includes the first statistical account of birth and death rates in the new local government districts of England and Wales. Published by the Office of Population Censuses and Surveys. HMSO, 65p. ISBN 0 11 690620 0.

International Covenant on Economic, Social and Cultural Rights and International Covenant on Civil and Political Rights. The United Kingdom instruments ratifying these United Nations covenants were deposited on 20 May 1976 (see p 266, 1976), and the covenants entered into force for the United Kingdom on 20 August 1976. Cmnd 6702. HMSO, 75p. ISBN 0 10 167020 6.

Law Commission Annual Report 1975–76. Some 46 of the commission's 60 legislative proposals made between June 1966 and October 1976 have so far been implemented, wholly or partly, in the law. HMSO, 70p. ISBN 0 10 209477 2.

The Law Commission and the Scottish Law Commission. Statute Law Revision – Eighth Report. Draft Statute Law (Repeals) Bill. Cmnd 6719. HMSO, £1·75. ISBN 0 10 167190 3.

Social Security Statistics 1975. HMSO, £7. ISBN 0 11 760317 1.

Exchange of Notes between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Spain amending the Convention on Social Security signed at London on 13 September 1974. Cmnd 6691. HMSO, 25p. ISBN 0 10 166910 0.

Citizens' Advice Bureaux in Britain. COI, SN5658.

The National Council of Social Service (England). COI, SN5691.

Report of the Inquiry into the Prescription Pricing Authority by R. I. Tricker, Director of the Oxford Centre for Management Studies. The authority prices medical prescriptions in England. The report recommends that the authority's operations should be expanded to provide a service to doctors by giving them details of their prescribing patterns and to give more information on drug usage to the Department of Health and Social Security, the Committee on Safety of Medicines, and the pharmaceutical industry. Published by the Department of Health and Social Security, Alexander Fleming House, Elephant and Castle, London SE1 6BY. £3.

In-patient Statistics from the Mental Health Enquiry for England, 1974. Department of Health and Social Security. HMSO, £3·50. ISBN 0 11 320239 3.

Facilities and Services of Mental Illness and Mental Handicap Hospitals in England, 1974. Department of Health and Social Security. HMSO, £3. ISBN 0 11 320224 5.

Statistics of Education, England and Wales, 1974. Vol 4, Teachers. HMSO, £5. ISBN 0 11 270437 9.

Inner Area Studies. Summaries of the consultants' final reports on Liverpool, Birmingham and Lambeth. The full reports are to be published later this year. HMSO, £1·50. ISBN 0 11 751135 8.

Nature Conservancy Council. Second report, for the period 1 April 1975 to 31 March 1976. HMSO, £2·75. ISBN 0 10 204477 5.

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